



Our reference
F19/13/03-D21/26182

21 August 2025

Notice of Meeting

Notice is hereby given that an Extraordinary Meeting of Council will be held in the **Council Chambers, Stratford District Council, 63 Miranda Street, Stratford** on **Tuesday 26 August 2025** beginning at **11.30am**.

The **Policy and Services Committee** of Council will meet to hear and consider submissions to the Victoria Park Reserve Management plan at 1.00pm and will be followed by the monthly **Policy and Services Committee** Meeting.

Timetable for 26 August 2025 as follows:

11.30am	Extraordinary Meeting of Council - Draft Water Services Delivery Plan
12.30pm	Lunch
1.00pm	Policy and Services Committee - To hear and consider submissions to the Victoria Park reserve Management Plan
2.45pm	Afternoon tea
3.00pm	Policy and Services Committee - Monthly meeting

Yours faithfully

Sven Hanne
Chief Executive

2025 - Agenda - Extraordinary - August (Water Services Delivery Plan)



26 August 2025 11:30 AM

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AGENDA

Extraordinary



F22/55/05 – D25/30332

Date: Tuesday 26 August 2025

Venue: Council Chambers, 63 Miranda Street, Stratford

1. Welcome

1.1 Opening Karakia
D21/40748 Page 4

1.2 Health and Safety Message
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2. Apologies

3. Announcements

4. Declarations of members interest

Elected members to declare any real or perceived conflicts of interest relating to items on this agenda.

5. Attendance Schedule
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Attendance schedule for Ordinary and Extraordinary Council meetings.

6. Decision Report – Approval of Water Services Delivery Plan
D25/30331 Page 7

Recommendations

1. THAT the report be received.
2. THAT Council approves the Water Services Delivery Plan included in this report.
3. THAT Council authorises the Chief Executive to make any minor amendments, adjustments or editorial changes to the approved Water Services Delivery Plan, provided such changes do not materially alter the intent, scope or outcomes of the Plan prior to submission for approval or during any subsequent engagement with central government.
4. THAT Council Instruct the Chief Executive to submit the Water Services Delivery Plan to the Department of Internal Affairs for Approval by 3 September 2025.

Recommended Reason

As per earlier discussion with elected members, following community engagement and a decision on Council's direction forward regarding the delivery of water services for the Stratford District, it is a legislative requirement to submit a Water Services Delivery Plan by 3 September 2025 to the Department of Internal Affairs.

/
Moved/Seconded

7. Closing Karakia
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TE KAUNIHERA Ā ROHE O
WHAKAAHURANGI
STRATFORD
DISTRICT COUNCIL

Our reference
F19/13/03-D21/40748

Karakia

Kia uruuru mai
Ā hauora
Ā haukaha
Ā haumāia
Ki runga, Ki raro
Ki roto, Ki waho
Rire rire hau Paimārire

I draw in (to my being)
The reviving essence
The strengthening essence
The essence of courage
Above, Below
Within, Around
Let there be peace.



Our reference
F19/13/03-D22/17082

Health and Safety Message

In the event of an emergency, unless guided to an alternative route by staff, please exit through the main entrance. Once outside the building please move towards the War Memorial Centre congregating on the lawn area outside the front of the council building.

If there is an earthquake, please drop, cover and hold where possible. Remain indoors until the shaking stops and you are sure it is safe to exit or remain where you are until further instruction is given.

5. Attendance schedule for 2025 Ordinary and Extraordinary Council meetings.

Date	01/02/25	25/02/25	11/03/25	08/04/25	15/04/25	13/05/25	10/06/25	08/07/25	12/08/25	02/09/25	07/10/25
Meeting	O	E	O	O	E	O	O	O	O	O	O
Neil Volzke	✓	✓	✓	✓	✓	✓	✓	✓	✓		
Steve Beck	✓	✓	✓	✓	✓	✓	✓	✓	✓		
Grant Boyde	✓	✓	✓	✓	✓	A	✓	✓	✓		
Annette Dudley	✓	✓	✓	✓	✓	S	A	✓	✓		
Jono Erwood	✓	✓	✓	✓	✓	✓	✓	✓	✓		
Ellen Hall	✓	✓	✓	✓	✓	A	✓	✓	✓		
Amanda Harris	✓	✓	✓	✓	✓	✓	✓	✓	✓		
Vaughan Jones	A	✓	✓	✓	✓	✓	A	✓	A		
Min McKay	✓	✓	✓	✓	✓	✓	✓	✓	✓		
John Sandford	✓	✓	✓	✓	✓	✓	✓	✓	✓		
Clive Tongaawhikau	A	A	✓	A	✓	AB	A	A	A		
Mathew Watt	✓	✓	✓	✓	✓	✓	✓	✓	✓		

Key	
O	Ordinary Meeting
E	Extraordinary Meeting
EM	Emergency Meeting
✓	Attended
A	Apology/Leave of Absence
AB	Absent
S	Sick
(AV)	Meeting held, or attended by, by Audio Visual Link

DECISION REPORT



F22/55/04 – D25/30331

To: Extraordinary Meeting of Council
 From: Chief Executive
 Date: 26 August 2025
 Subject: Approval of Water Services Delivery Plan

Recommendations

1. THAT the report be received.
2. THAT Council approves the Water Services Delivery Plan included in this report.
3. THAT Council authorises the Chief Executive to make any minor amendments, adjustments or editorial changes to the approved Water Services Delivery Plan, provided such changes do not materially alter the intent, scope or outcomes of the Plan prior to submission for approval or during any subsequent engagement with central government.
4. THAT Council Instruct the Chief Executive to submit the Water Services Delivery Plan to the Department of Internal Affairs for Approval by 3 September 2025.

Recommended Reason

As per earlier discussion with elected members, following community engagement and a decision on Council's direction forward regarding the delivery of water services for the Stratford District, it is a legislative requirement to submit a Water Services Delivery Plan by 3 September 2025 to the Department of Internal Affairs.

/
 Moved/Seconded

1. Purpose of Report

The purpose of this report is for elected members to approve the Water Services Delivery Plan for the future delivery of water services via an in-house business unit as per earlier council resolution.

Following council approval, the enclosed Water Services Delivery Plan will be submitted to the Department of Internal Affairs by the statutory deadline of 3 September 2025 as required under the Local Government (Water Services Preliminary Arrangements) Act 2024.

2. Executive Summary

- 2.1 In September 2024, the Coalition Government passed the Local Government (Water Services Preliminary Arrangements) Act 2024, driving a tight timeframe for developing and implementing objectives under the Local Water Done Well (LWDW) Policy.
- 2.2 The Local Water Done Well framework includes the opportunity for councils to establish independent or joint Water Services Council Controlled Organisations (WSCCOs), that can borrow directly through the New Zealand Local Government Funding Agency (LGFA) at higher net debt to revenue ratios than most local authorities.
- 2.3 A critical component of the legislation is the statutory requirement for all Councils to submit a Water Services Delivery Plan (WSDP) to Central Government by 3 September 2025 that explicitly shows an assessment of Council's water infrastructure, how much is needed to invest, and how Councils plan to finance and deliver it through a preferred water service delivery model.

- 2.4 Under the Act, Councils had to use a simplified consultation process for decision-making, requiring the identification of a preferred model, and assessment of the advantages and disadvantages of the preferred model and at least one other model, and the impact of each option on rates, debt, and levels of service. Council's consultation was confined to two options, being the Enhanced Status Quo (in-house business unit) option as well as a Joint Taranaki WSCCO for water and wastewater. For the WSCCO option, stormwater would remain with Council, with the option for the delivery of services to be contracted to the WSCCO at a later date.
- 2.5 Council received 185 submissions during the consultation period. 12 Submitters supported the proposed Option A (Regional CCO), 170 supported Option B (Enhanced in-house option) and 3 submitters didn't specify a preference.

Options	Percentage	Count
Option 1 – Regional council-controlled organisation	7%	12
Option 2 - In-house Business Unit	92%	170
No option chosen	1%	3
Total	100%	185

Submitters supporting Option 1 (Regional WSCCO) considered this a practical and cost-efficient option. The submitters' view of likely future council amalgamation also supported their view.

Submitters supporting Option 2 (in-house business unit) expressed concern about being given a lesser priority than the larger regional centres, concerns regarding the greater per-capita debt of the other councils involved and the potentially under-estimated costs of setting up and running a new organisation. These submitters also expressed a preference for the stronger local control this model provides and confidence that Stratford is in a position to look after its own needs, citing historic performance as evidence.

- 2.6 The Department of Internal Affairs has proactively provided a legal opinion¹ clarifying the role of submissions received via consultation during this process, clarifying that "The Preliminary Arrangements Act does not require a council to make a decision that accords with public consultation feedback".
- 2.7 In its meeting on 8 July 2025 Council adopted the recommendation from the Policy and Services committee, held on 24 June 2025, to adopt a stand-alone business unit as the future delivery model for Water, Wastewater and Stormwater for the Stratford district.
- 2.8 It is a legislative requirement to submit a Water Services Delivery Plan supporting its chosen delivery mechanism to the Department of Internal Affairs by 3 September 2025.

3. Local Government Act 2002 – Section 10

Under section 10 of the Local Government Act 2002, the Council's purpose is to "enable democratic local decision making by and on behalf of communities; as well as promoting the social, economic, environmental, and cultural well-being of communities now and into the future"			
Does the recommended option meet the purpose of the Local Government 4 well-beings? And which:		Yes	
Social	Economic	Environmental	Cultural
✓	✓	✓	✓

Provision of water services traverses all four well-beings.

¹ Legal opinion clarifying consultation requirements and obligations arising from public consultation feedback.

4. Background

Water services reform has been on the national agenda as part of the last Labour and current National governments and has been articulated in previous reports and through Council workshops.

4.1 Local Water Done Well Legislative and Policy Framework

4.1.1 The Local Government (Water Services) Bill was introduced in early December 2024. This Bill builds on the foundations set in the Local Government (Water Services Preliminary Arrangements) Act 2024.

4.1.2 The combined legislation sets minimum requirements for service delivery models that include:

- a) new economic, environmental and water quality regulations
- b) a new planning and accountability framework
- c) financial sustainability objectives
- d) new statutory objectives consistent for all water providers
- e) restrictions against privatisation.

4.1.3 All Councils were required under legislation to consider options and determine a preferred water service delivery model. Whatever model is adopted, there are legislative restrictions against privatisation and regardless of the delivery arrangements, the existing responsibilities, commitments and obligations under the Local Government Act (LGA) and treaty settlement legislation continue to apply.

4.1.3 Irrespective of the model chosen, the revenues, assets, expenses and debt for water services must be separated or ring-fenced from all other Council services.

4.1.4 All councils are required to submit a draft Water Services Delivery Plan to the Department of Internal Affairs by 3 September 2025.

4.2 Financial Sustainability

4.2.1 The Act requires that Councils provide an explanation in their WSDP's of what the council proposes to do to ensure that water services will be delivered in a financially sustainable manner by 30 June 2028.

Financial sustainability means water services revenue is sufficient to meet the costs of delivering water services. The costs of delivering water services include meeting all regulatory standards, and long-term investment in water services.

How councils approach achieving financial sustainability can be different depending on local circumstances and require councils to consider the balance between three key factors.

These factors are:

- Revenue sufficiency – is there sufficient revenue to cover the costs (including servicing debt) of water services delivery?
- Investment sufficiency – is the projected level of investment sufficient to meet levels of service, regulatory requirements and provide for growth?
- Financing sufficiency – are funding and finance arrangements sufficient to meet investment requirements?

4.2.2 An in-house business unit will continue to operate within the parent-council's financial envelope. This is calculated based on council's overall income stream.

4.2.3 As per the modelling undertaken to date, both delivery models council considered comply with LGFA restrictions for the respective model and appear to be financially sustainable and compliant with debt limits, at varying levels.

4.3 **Alignment with existing Long Term Plan (LTP)**

- 4.3.1 Neither model consulted on aligned with the adopted LTP. This is due to the LTP being based on a non-modified in-house delivery model and on-going asset ownership for all water services related activities by council.
- 4.3.2 Under section 17(2) of the Local Government (Water Services Preliminary Arrangements) Act 2024 council had to consult on the future delivery options. Provided that it does so, it is not required to consult again on the consequential amendments to the Long Term Plan.
- 4.3.3 The departure from the LTP would have been much greater for a Joint Taranaki WSCCO than it is for the in-house business unit.

4.4 **Stormwater**

- 4.4.1 Under the chosen in-house business unit model, the stormwater activity will continue to be delivered alongside water and wastewater services.

4.5 **Water Service Delivery Plans**

- 4.5.1 The Council must by 3 September 2025, submit a WSDP which explicitly shows:
 - a) The proposed water services delivery model, as decided by Council.
 - b) The decision of Council to transfer (or not) stormwater services and/or assets (as well as drinking water and wastewater assets).
 - c) Financial separation of water services from the rest of Council activities.
 - d) That financial sustainability will be achieved by 30 June 2028.
 - e) Adoption by Council before 28 June 2025 and certified as being true by the Council Chief Executive.
- 4.5.2 The WSDP must be accompanied by an Implementation Plan for the preferred delivery model and submitted to the Secretary of Local Government (through DIA) by 3 September 2025. The WSDP is then either;
 - a) Accepted by the Secretary for Local Government, who can only accept a WSDP if it complies with the Act (as above); or
 - b) Not accepted by the Secretary who may recommend the Minister of Local Government appoints a Crown Water Services Specialist to help complete the WSDP to an acceptable outcome (at Council's expense).

5. **Consultative Process**

5.1 **Public Consultation - Section 82**

Council consulted the community from 30 April to 30 May, using the streamlined consultation process as per the requirements of the Local Government (Water Services Preliminary Arrangements) Act.

Council utilised a wide range of media including app posts, print media and in-person engagements to encourage participation and accepted submissions through a number of channels and media to maximise responses.

A total 185 submissions were received during the consultation period. 12 Submitters supported the proposed Option A (Regional WSCCO), 170 supported Option B (stand-alone in-house business unit / Enhanced Status Quo) and 3 submitters didn't specify a preference.

5.2 Māori Consultation - Section 81

To date, the Water Service Delivery for Taranaki Project has had involvement and input from iwi/manua whenua by way of Post Settlement Governance Entity (PSGE) member participation in the Steering Group, Pou Taiao staff on the Project Working Group, Technical Working Group, and briefings to Taranaki Iwi Chairs.

Governance considerations have been shared with Steering Group members including PSGE representatives, participating Pou Taiao staff and Iwi Chairs. Their feedback has been incorporated into delivery model development.

Council received a submission from Ngāti Ruanui as part of the public submission process, favouring Option 2 (In-house delivery).

6. Risk Analysis

- 6.1 Both models considered face significant uncertainties. These largely relate to the underlying assumptions, such as future capital and operational costs, future infrastructure requirements, future legislative requirements, efficiencies achievable through joint delivery, one-off and ongoing costs arising from the establishment of a dedicated WSCCO, to name a few.
- 6.2 Staff have endeavoured to provide a fair assessment of both options and aligned assumptions across both models where possible.
- 6.3 Model specific risk considerations have been included in earlier reports. Overall, the Enhanced Status Quo carries significantly less uncertainty in that it largely aligns with the status quo. Additional cost requirements for known and anticipated enhancements have been incorporated into the model.
- 6.4 The regional WSCCO offers a greater aspect of “safety in numbers” as costs and risks are spread across a greater base.
- 6.5 An in-depth risk assessment was provided as part of an earlier report in this series.

7. Sustainability Consideration

- 7.1 Water service providers, regardless of the delivery model chosen, will have the objective to deliver water services in a sustainable and resilient manner.
- 7.2 Officers would expect that any new delivery model would seek to implement similar projects given the statutory obligations that are proposed.
- 7.3 A key consideration to determining the most appropriate future delivery model is the ability of the different models to implement changes to service delivery. Climate change considerations are one example of the types of changes that the preferred model will need to be able to implement.

8. Decision Making Process – Section 79

8.1 Direction

	Explain
Is there a strong link to Council's strategic direction, Long Term Plan/District Plan?	The decision sought in this report has the potential to be significant.
What relationship does it have to the communities current and future needs for infrastructure, regulatory functions, or local public services?	This reform programme has the potential to significantly re-shape the future of how infrastructure and services are delivered to our community.

.2 Data

This report and the enclosed Water Services Delivery Plan represent the most up to date information currently available on this subject matter. As previously identified, the underlying analysis contains a significant amount of assumptions.

8.3 Significance

	Yes/No	Explain
Is the proposal significant according to the Significance Policy in the Long Term Plan?		
Is it:		
• considered a strategic asset; or	Yes	The outcome of this report is related to the future ownership of a strategic asset.
• above the financial thresholds in the Significance Policy; or	Yes	The ongoing operating and capital costs exceed the thresholds of the Significance Policy.
• impacting on a CCO stakeholding; or	No	A regional WSCCO was discussed earlier but has been decided against by council.
• a change in level of service; or	No	There is no intention to change the level of service with either delivery model discussed
• creating a high level of controversy; or	Possibly	There has been significant community interest in this subject matter. The current direction of council aligns with 93% of submissions received. There would be significant disappointment within the community if DIA refused to approve council's chosen delivery model.
• possible that it could have a high impact on the community?	Yes	Both options investigated showed a significant cost increase for the community.
In terms of the Council's Significance Policy, is this proposal of high, medium, or low significance?		
High	Medium	Low
	✓	

8.4 Options**Option 1 – Approve the Water Services Delivery Plan**

Approval of a Water Services Delivery Plan is required before it can be submitted to the Department of Internal Affairs. This is required by 3 September 2025. Any changes elected members would like to be incorporated need to be in place prior to this date.

Option 2 – Do not approve the Water Services Delivery Plan

Refusal to approve the Water Services Delivery Plan with or without changes would inadvertently lead to Council missing the 3 September deadline for the submission of Water Services Delivery Plans to the Department of Internal Affairs. It is unlikely that an extension would be granted.

8.5 Financial

Detailed financial analysis of both options considered was contained in an earlier report.

The overall cost of delivering water services to the community are forecast to increase significantly over the next decade. Increased environmental standards, particularly regarding the discharge of wastewater and stormwater into the environment are significant contributors to the overall cost. Some of these costs are a result of the increased requirements inherent in the water reforms.

The external costs of the ongoing reform programme have largely been covered by DIA funding but a significant amount of staff time consumed by this work has been absorbed by the organisation.

8.6 Prioritisation & Trade-off

Due to legislative timeframes, this project has to be treated as a priority.

8.7 Legal Issues

The key legal consideration for this work programme is to achieve compliance with the requirements of the Local Government (Water Services Preliminary Arrangements) Act 2024 and any other associated requirements of the Local Water Done Well Reform Programme. Notwithstanding this, any solution identified must also meet the requirements of any other applicable legislation, including the Local Government Act and the Resource Management Act. Proposed models have been reviewed by the Department of Internal Affairs and no issues identified to date.

8.8 Policy Issues - Section 80

Given the legislative requirements to undertake the work programme covered by this report, there are no policy issues inherent in the decisions sought.

Attachments:

Appendix 1 Water Services Delivery Plan

A handwritten signature in blue ink, appearing to read 'S Hanne', with a stylized flourish at the end.

Sven Hanne
Chief Executive

Date 19 August 2025

Sensitivity: General

Appendix 1

Water Services Delivery Plan

August 2025



TE KAUNIHERA Ā ROHE O
WHAKAAHURANGI
STRATFORD
DISTRICT COUNCIL

Sensitivity: General

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Sensitivity: General

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Appendix 1: Council Resolution of 26 August 2025

Appendix 2: Council Decision Report showing revised Wastewater Delivery Plan and Cost Adjustments

Sensitivity: General

Assurance and adoption of the Plan

In addition to the internal assurance processes, the following independent reviews and engagement have been completed.

- Independent legal review against the requirements the Local Government (Water Services Preliminary Arrangements) Act 2024 ('the Act');
- Independent analysis of financial sustainability and review of the financial aspects of the WSDP; and
- LGFA engagement on the initial financial sustainability assessment.

Council Resolution

This Water Services Delivery Plan (WSDP) was adopted by the Stratford District Council at the Ordinary Meeting of Council on 26th August 2025¹.

A copy of the resolution is attached in **Appendix 1**.

Certification of the Chief Executive, Stratford District Council

I certify that:

- this Water Services Delivery Plan complies with the Local Government (Water Services Preliminary Arrangements) Act 2024; and
- the information contained in this Water Services Delivery Plan is true and accurate.

Signed:

[Approved by]

Sven Hanne

Chief Executive, Stratford District Council

Date: _____

¹ See [xxx \(insert link on website\)](#) and Council Document Reference [xxxx](#)

Sensitivity: General

Executive Summary

Overview of SDC's Water Service Responsibilities

Stratford District Council (SDC) is responsible for the planning, delivery, maintenance and regulatory compliance of the three-waters services across the Stratford district. SDC will continue to provide the following services:

- **Drinking Water Supply**
 - Operate and maintain three primary water treatment plants and associated distribution networks;
 - Supply safe, reliable drinking water to urban and some rural residential areas; and
 - Ensure compliance with the Drinking Water Standards and Drinking Water Quality Assurance Rules administered by Taumata Arowai.
- **Wastewater Services**
 - Manage the collection, treatment and disposal of wastewater from residential, commercial and public sources;
 - Operate a centralised wastewater treatment plant, with pump stations and rising mains; and
 - Oversee environmental discharge compliance through resource consents regulated by Taranaki Regional Council.
- **Stormwater Management**
 - Provide stormwater drainage for the urban areas to prevent flooding and protect property and infrastructure;
 - Maintain piped stormwater networks, open drains, soakage areas and detention structures; and
 - Integrate stormwater planning into land use and climate resilience strategies.

In delivering these services, SDC meets its legislative and regulatory obligations under the Local Government Act 2002, Resource Management Act 1991, while preparing for transition under the local water done well reform.

Summary of Key Progress Made so Far

SDC has undertaken significant improvements to its operations and infrastructure over the past decade. SDC currently, amongst other things:

- Maintains an appropriate capital investment in priority renewals and water loss reduction programs;
- Runs a Digital Asset Management System (AMS) for asset lifecycle tracking and renewal planning;
- Operates SCADA systems to enable real-time monitoring and operational responsiveness; and
- Has a Customer Relationship Management (CRM) platform for handling service requests and complaints.

SDC has also commissioned wastewater and stormwater modelling. Wastewater modelling will guide network asset renewal programming; while stormwater modelling will inform flood risk assessment and mitigation. Modelling will generate valuable insights that support infrastructure planning, environmental protection, community resilience and development control assessments. These are crucial in supporting growth and delivering sustainable urban living that safeguards both the environment and public health for our community.

SDC is currently progressing the rollout of universal water metering across the district. Upon completion, this initiative will represent a major milestone in managing water demand and supply. These meters are expected to deliver significant benefits to both the community and the Council.

Sensitivity: General

Benefits include improved leak detection; enhanced demand management and reduced water waste; lowered operational costs and extended asset lifespan; a fairer and more equitable tariff system; stronger water conservation outcomes; clear evidence to support resource consent compliance and future renewal applications and strengthened relationships with stakeholders such as Iwi.

Collectively these actions have resulted in the following key outcomes:

- SDC's 3-waters renewal/replacement profiles are consistent with the Long Term Plan (LTP) renewal budgets approved by Council.
- SDC has **no** Backlog of Renewal projects.
- SDC's proactiveness has led to the acceleration of two key replacement projects, originally scheduled for delivery in 2026 and 2028, with a combined estimated cost of approximately \$7.8 million. These critical projects described below are now planned for completion by June 2026, enhancing the resilience of our infrastructure and minimising unnecessary disruption in services:
 - Replacement of 100 year old Grit Tank and Water Delivery Line (approx. \$4.4M); and
 - Desludging of Stratford Wastewater Oxidation Ponds (approx. \$3.4M).
- SDC now holds no expired consents for its three waters schemes. All resource consents required to operate water, wastewater and stormwater services are current, with expiry dates ranging from 2027 to 2045. This reflects SDC's proactive approach and strong commitment to key stakeholders in prioritising essential services for our community. A key consent expires in Year 10 of the LTP, with substantial capex implication - SDC's strategy for consent renewal is described in detail below.

Summary of Key Enhancements Proposed

To align with the DIA's Enhanced Status quo requirements, SDC proposes to implement a range of service improvements across its water infrastructure and operations:

- Workforce investment, including recruitment of specialist technical staff and upskilling current teams in compliance and resilience.
- Increased capital investment in priority renewals, telemetry systems and water loss reduction programs.
- Improved Digital Asset Management System (AMS) implemented for asset lifecycle tracking, renewal planning and data quality.
- Upgraded SCADA systems to enhance real-time monitoring and improved operational responsiveness.
- Enhanced Customer Relationship Management (CRM) platform for better handling of service requests and complaints.
- Improved reporting and data integration with Taumata Arowai for regulatory compliance.
- Better emergency preparedness and updated business continuity planning.

These initiatives form part of SDC's broader commitment to delivering modern, compliant and community-focused water services.

Key Future Infrastructure Investment

Our most substantial infrastructure undertaking will be the renewal of our wastewater discharge consent, which is due to expire in June 2034. Discussions with principal stakeholders - including Iwi, Fish & Game and the Taranaki Regional Council (TRC) – are ongoing, being a key consent condition, to explore potential discharge alternatives.

For this project \$50 million funding was formally approved and initially scheduled to begin in Year 10 and continue through Year 13 of the Long-Term Plan (LTP). However, a more pragmatic timeline advances key activities, noting discussions and ongoing planning maintained throughout the consent life:

Sensitivity: General

- **Year 9:** Commissioning planning and other expert reports and application for renewal consent. Section 124 of the RMA enables the holder of an existing consent due to expire to apply for a new consent no later than six months prior to expiry, and to continue to exercise the consent while the new consent has been applied for and until such time as the consent application is determined, or any appeal resolved;
- **Year 10 – 13:** Resource Consent processing (by TRC), it is expected that processing will take up to 4 years before a final decision is granted.
- **Years 14–16:** Execution of the major investment, consistent with worst-case cost estimates (as detailed in the attached report and discussed with elected members in December 2024).

These timeline adjustments and cost assumptions, shown in **Appendix 2**, have been integrated into the financial modelling underpinning this WSDP.

Concurrently, SDC has initiated the development of a financing strategy to raise the funds needed for the project. This strategy involves significant pre-funding of the capital cost through targeted wastewater rates over the 2034/35 to 2037/38 period, to increase cash reserves so as to reduce the maximum loan requirements of the wastewater treatment renewal to \$42 million, thus providing significant debt headroom for the project.

As **Figure 1** illustrates, with this strategy, the projected SDC total debt requirements remains well within the LGFA limit for net debt for the next 30 years (including during the construction of the wastewater treatment project from 2037/38 to 2039/40).

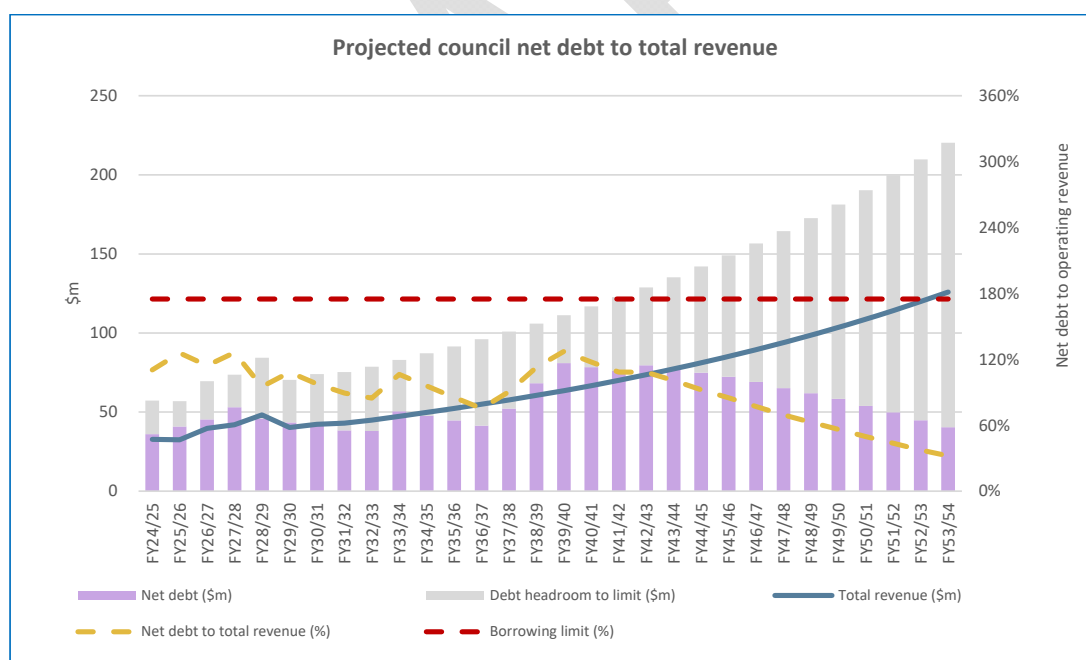


Figure 1: Projected net debt to total revenue

Sensitivity: General

Part A: Statement of financial sustainability, delivery model, implementation plan and assurance

Statement that water services delivery is financially sustainable

Financial Sustainability Statement

SDC has assessed the financial sustainability of its preferred delivery model against the three applicable tests: Revenue Sufficiency; Investment Sufficiency and Financing Sufficiency and confirms that it meets all of the financial sustainability requirements.

The financial plans are based on SDC's current Long Term Plan and Infrastructure Strategy, with some amendments. These amendments are based on increased expenditure to meet the new staffing, sampling and compliance costs of the new legislative requirements and also an updated capital works programme.

Revenue Sufficiency

Revenue earned from water services will be ring-fenced to cover the costs of water services delivery, including servicing debt. We have modelled and tested our revenue sufficiency and confirm that:

- Projected revenues are sufficient to cover the costs (including servicing debt) of water services delivery;
- Projected revenues are sufficient to finance the required level of investment; and
- Projected revenues have been assessed as meeting the 'revenue sufficiency' test.

The significant majority of water services revenue is currently generated through targeted rates for water supply and wastewater and through the UAGC for stormwater.

SDC is currently implementing universal water metering throughout the network, with the intention to move to a mixture of fixed and volumetric charging to all properties from the start of the next Long Term Plan - 1 July 2027. SDC is also considering increasing the rating base through charging a water supply targeted rate as a fixed amount per separately used or inhabited part of a rating unit (SUIP), a change from the current per connection rating basis.

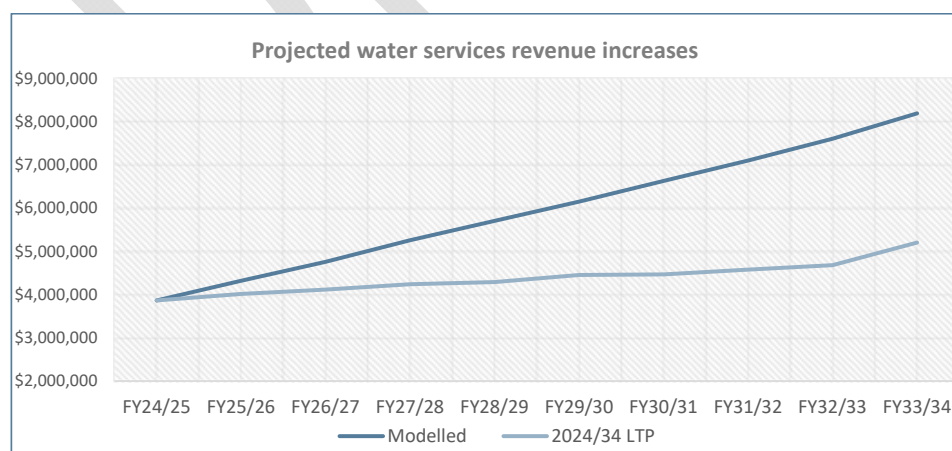


Figure 2: Projected water services revenue increases

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Overall, a revenue increase is required to fund enhanced water services. These increases are quite consistent over the next ten years and are starting from quite a low charging base. This overall revenue increase for water services, compared to 2024/34 Long Term Plan forecasts is demonstrated in **Figure 2** above.

Throughout this initial period of the internal business unit, while the revenue increases are substantial, due to our current water charges being comparatively low, water services charges (including stormwater) as a % of household income is affordable - at an average of 2.2% over the first 10 years and 2.4% over the 30 year period, see **Figure 3** below.

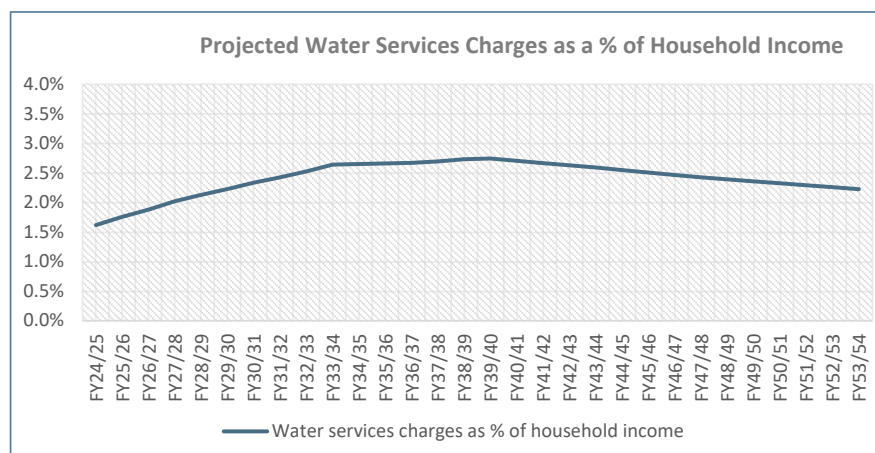


Figure 3: Projected Water Services Charges as a % of Household Income

Investment Sufficiency

Our planned investment in infrastructure assets is sufficient to cover the future needs of our waters services and meets all known growth, renewal, levels of service and anticipated regulatory requirements. We have modelled and tested our investment sufficiency and confirm that:

- Proposed level of investment is sufficient to meet levels of service, regulatory requirements and provide for growth;
- Proposed level of investment is fully funded by projected revenues and access to financing; and
- Projected levels of investment have been assessed as meeting the 'revenue sufficiency' test.

The Stratford District is not a high growth area, consequently the majority of investment in waters infrastructure will go towards renewals and increasing levels of service. Investment is funded through a combination of revenue, depreciation and new borrowings.

Renewal investments are normally funded from capital reserves built up from rates funded depreciation, with borrowings used where the reserve is not sufficient. Level of Service projects will normally be funded by borrowings and repaid from revenue sources.

The planned ten year capital programme in **Figure 4** shows good investment, with several spikes and an average annual spend of \$3.8 million.

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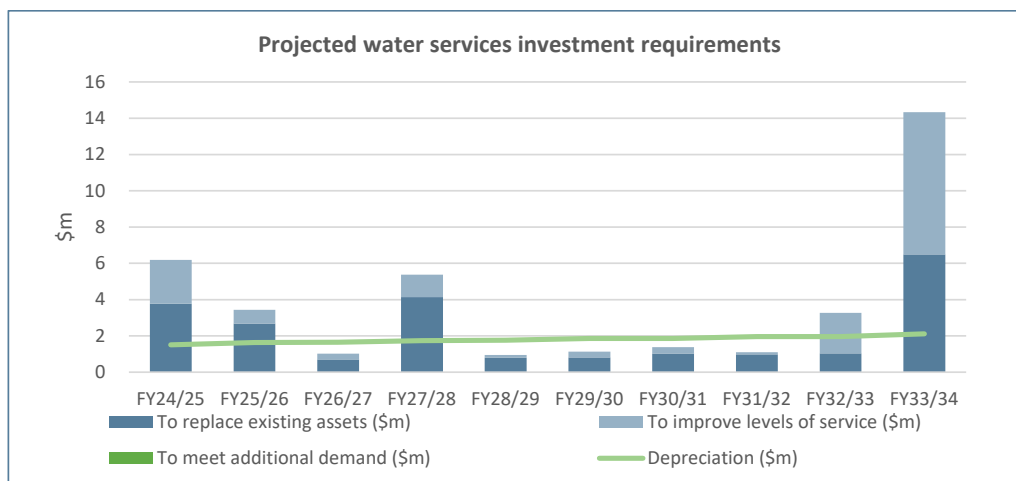


Figure 4: Projected water services investment requirements

Financing Sufficiency

There is sufficient financing available to meet the investment required for our infrastructure assets. We have modelled and tested our investment sufficiency and confirm that:

- Projected total council borrowings will be within council borrowing limits;
- Projected total council borrowings will be within the Local Government Funding Agency (LGFA) covenant requirements;
- Projected water services borrowings will be within the council-determined limit for water services borrowing;
- Required levels of borrowings can be sourced; and
- The Plan meets the 'financing sufficiency' test.

SDC has a proud history of managing its finances responsibly. Current net debt is low when compared to LGFA lending covenants and reflects a longstanding strategy to maintain a good level of debt capacity and a focus on future financial sustainability.

SDC has a good working relationship with LGFA, including engaging with them over these financial models and projections. Financing to meet the investment required will be done through a mixture of increased borrowings and increased revenue. SDC's current and future borrowings will be through LGFA and under their covenants, SDC's net debt-to-revenue ratio must not exceed 175% and net interest-to-revenue must not exceed 20%. SDC also sets internal net debt-to-revenue and net interest-to-revenue ratios in its Financial Strategy. SDC also plans to set internal ratio limits for the Stratford Waters Internal Business Unit (SWIBU), including a < 500% net debt-to-revenue ratio for water services to align with the LGFA limit for water organisations.

During the 2027/37 Long Term Plan process, SDC proposes to update its Financial Strategy with the following internal limits for both whole of Council and the SWIBU:

- Council net debt-to-revenue ratio: < 150% (2024/25: <115%)
- Council net interest-to-revenue ratio: < 10% (2024/25: <10%)
- SWIBU net debt-to-revenue ratio: < 500%
- SWIBU net interest-to-revenue ratio: < 35%

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At the overall SDC level, projections from 1 July 2027 in **Figure 5** below show that SDC remains well within both its proposed internal policy and the LGFA limit for net debt, with significant debt headroom available:

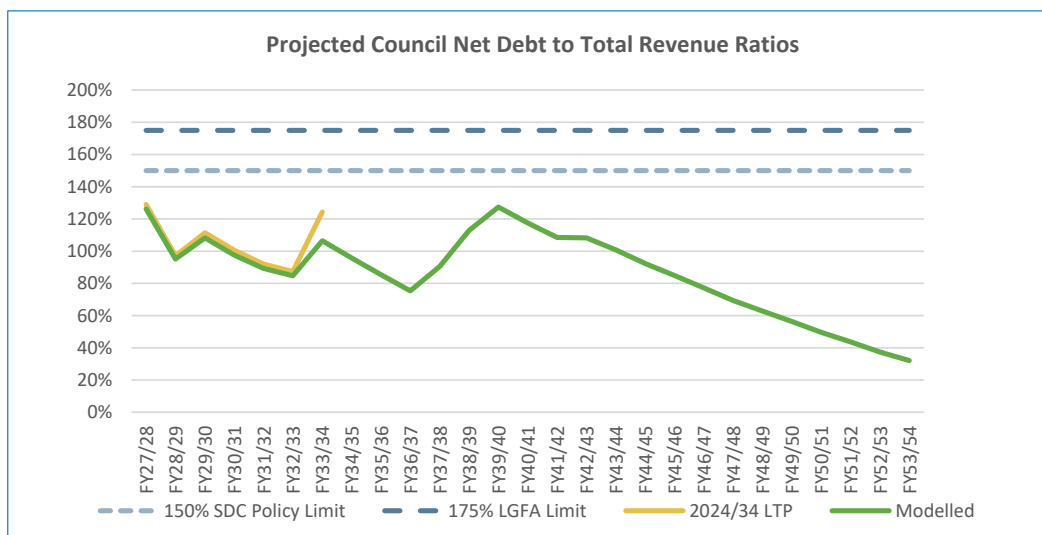


Figure 5: Projected Council Net Debt to Total Revenue Ratios

At the SWIBU level the SDC's proposed net debt internal limits are also met – see **Figure 6**.

Another requirement of financing sufficiency is that net interest-to-revenue costs do not exceed the LGFA 20% limit. SDC's overall projected borrowing costs remain well below the LGFA and internal limits set – see **Figure 7**.

At the SWIBU level SDC's proposed internal limits for borrowings costs are also met –see **Figure 8**.

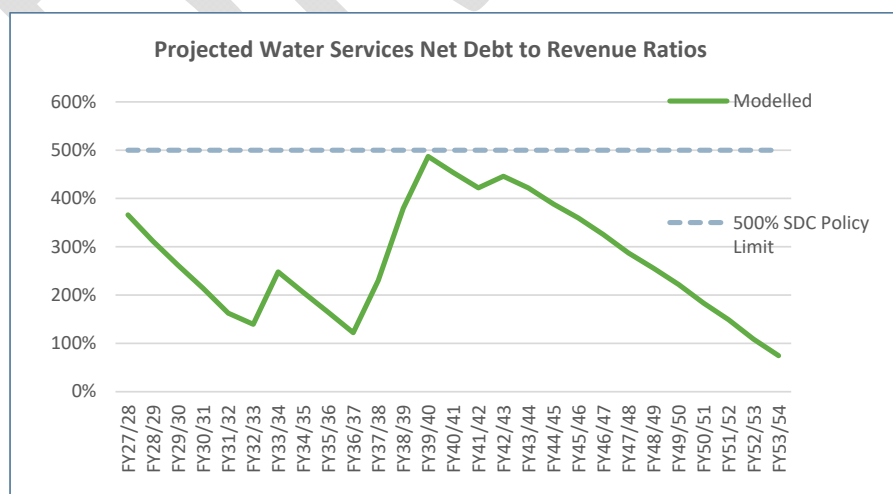


Figure 6: Projected Water Services Net Debt to Revenue Ratios

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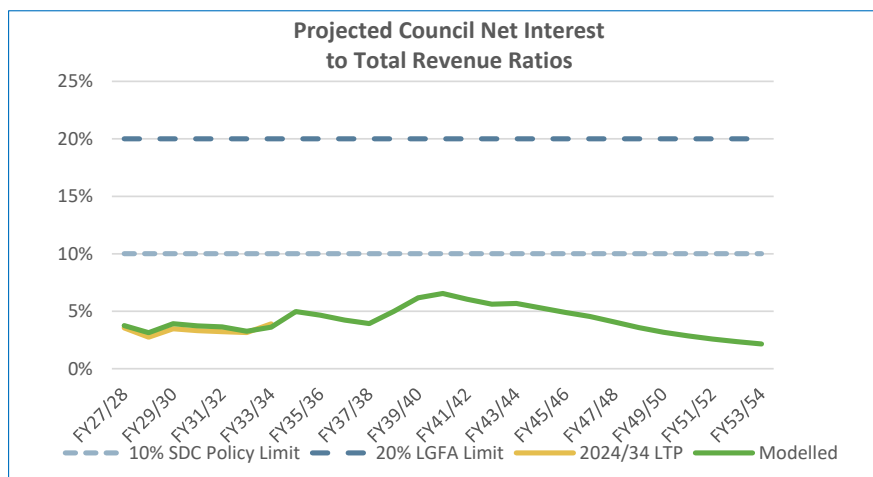


Figure 7: Projected Council Net Interest

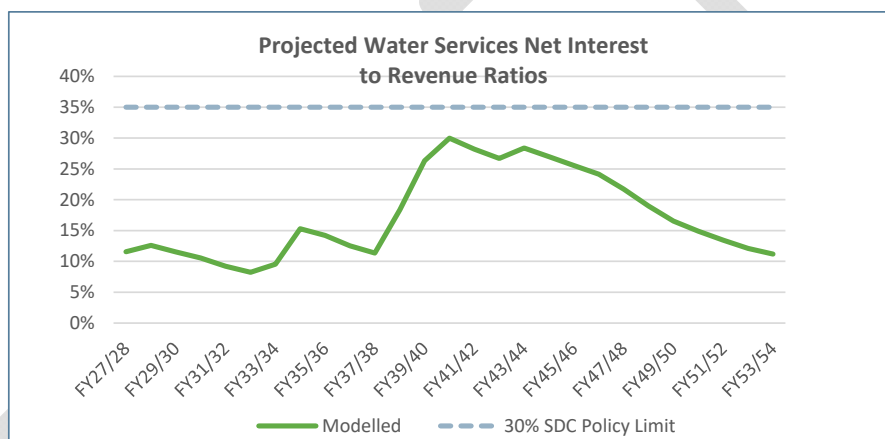


Figure 8: Projected Water Services Net Interest

The Stratford Waters Internal Business Unit (SWIBU)

SDC is proposing to adopt an **Internal Business Unit** delivery model, which is an enhancement of the status quo, for the delivery of future water services in the district. This standalone model builds on the progress achieved to date and leverages improved systems and resources to strengthen and future-proof water service delivery. For the purpose of this report, the proposed Internal Business Unit for waters services delivery in Stratford will be referred to as the **Stratford Waters Internal Business Unit (SWIBU)**.

SDC undertook a comprehensive investigation into which water service delivery option provided the most value. The approach was undertaken in three parts:

1. Problem definition and Investment Logic Map

Definition of the current state of water service delivery, identifying problems within the current state and also opportunities and aspirations under Local Water Done Well.

2. Optioneering

Identification of all possible options for water service delivery under Local Water Done Well.

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3. Analysis

A multi-criteria analysis that looked at financial sustainability, wider economic benefits, risks and Council's business needs, to determine which option provided the best value to each council and the community.

SDC considered a Regional WSCCO, with the neighbouring Councils to the north and south – New Plymouth District Council (NPDC) and South Taranaki District Council (STDC) respectively. While this option also has its merit, the final decision to go it alone came down to the community's overwhelming submissions - 93% - for an In-house Business Unit, which was then ratified by Council.

Features of the Proposed SWIBU Model

The key features of the proposed SWIBU are consistent with those features described in the DIA Delivery Model options, summarised below:

- **Structure:** SWIBU is proposed to be delivered through ring-fencing of revenue and expenditure and subject to new planning and reporting framework for water service providers, whilst continuing to explore a level of enhanced shared services with neighbouring councils. Collaboration with other councils was specifically included in a separate resolution to endorse what is already occurring and encourage staff to expand on this where appropriate.
- **Ownership:** SWIBU would be a part of the SDC; no new organisation will be established. The proposed Organisational structure is provided in **Figure 9** below. SWIBU is shown ring-fenced in the structure below and represents an improvement to the existing structure.

The proposed structure enhances the capacity and capability of the current team by introducing 4.5 additional FTE positions being:

- Operations Manager;
- Operations Engineer;
- Planning & Projects Manager;
- Administrator; and
- GIS Officer (0.5FTE)

A central focus of this structure is building resilience through increased capacity - particularly in the optimisation of data to improve infrastructure planning, reduce the risk of service interruptions and support the timely delivery of capital and operational projects.

SDC will also continue to collaborate with NPDC and STDC, as well as other councils, in areas where shared services provide value for money and operational efficiency.

- **Governance:** SWIBU will be accountable to SDC through mechanisms established under the Local Government Act 2002, along with any other relevant legislation. It is proposed that SDC will establish a **Water Services Committee** responsible for overseeing compliance with legislative requirements, setting water delivery priorities and supporting a robust funding and investment programme for asset management. The Water Services Committee monitors and makes recommends to full Council, which holds decision making.

The Water Services Committee will comprise:

- An independent Chair with relevant experience and expertise in 3-waters engineering;
- Mana Whenua representatives;
- Elected Members; and
- Any other parties as resolved by the full Council.

The proposed Governance Structure is illustrated in **Figure 10**; **Figure 11** presents the combined Governance and Operations framework for SWIBU.

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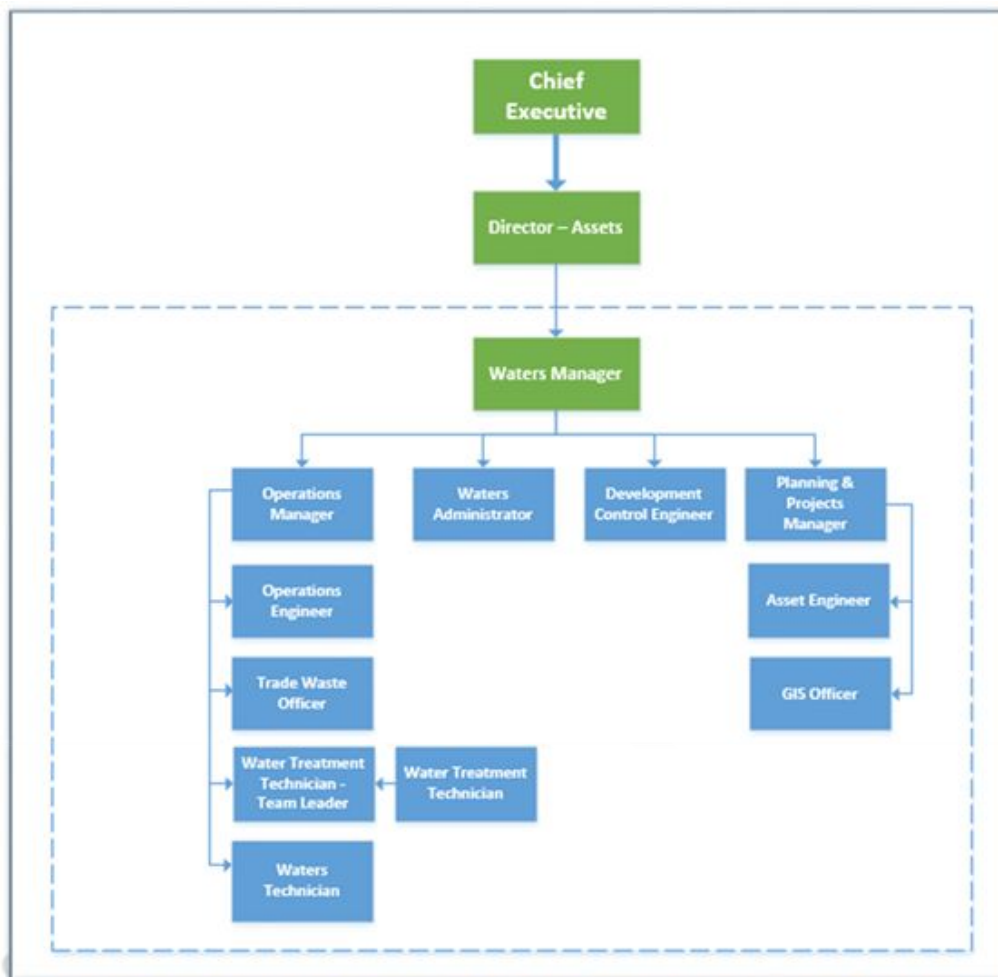


Figure 9: Proposed Organisational Chart



Figure 10: Proposed Governance Structure

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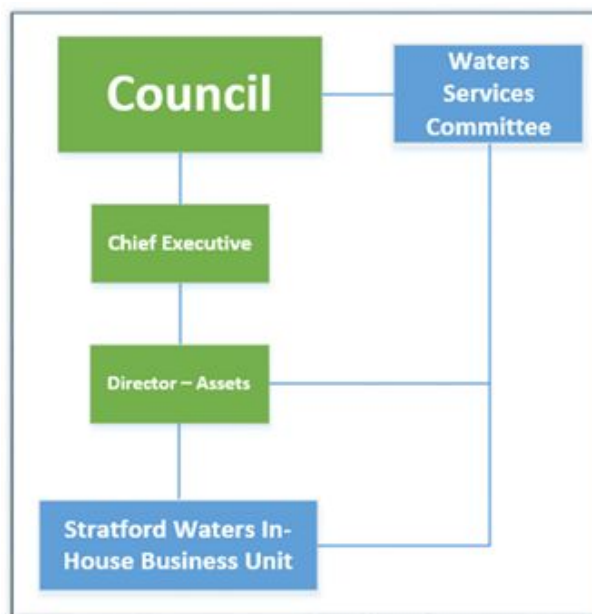


Figure 11: Proposed Governance and Operations Framework

- **Strategic Direction:** SWIBU will develop a Water Services Strategy to serve as an asset management framework guiding the delivery, investment and long-term sustainability of water services.
This strategy will be primarily informed by the current Asset Management Plans 2024–2034 for the three waters and the Infrastructure Strategy 2024–2054. Additionally, the Water Services Strategy will be expanded to incorporate a comprehensive framework that supports the implementation of outcomes required by key regulators, including Taumata Arowai, the Commerce Commission and the Regional Council. A key focus will be on optimising water services, revenue, investment and costs to users.
- **Accountability:** Once established, SWIBU will:
 - Act consistently within statutory objectives;
 - Function and report to SDC as shown in the organisational charts in **Figures 9 - 11**;
 - Ring-fence water services revenue and costs to ensure all revenue is re-invested into delivery of water services;
 - Set internal debt and borrowing limits for water services;
 - Prepare separate financial statements, for both management and annual reporting; and
 - Be subject to economic regulation.
- **Financing:** Borrowing for the SWIBU will be undertaken by SDC, but will be kept completely separate from all other Council borrowing activities. All SWIBU loans will be drawn specifically for its purpose only and a separate SWIBU loans schedule maintained.

Separate financial records for SWIBU will include loan principal and interest repayment schedules and reporting against internal debt and borrowing limits/ratios set.

A separate SWIBU treasury policy setting limits for the proportion between fixed and floating terms and spread of debt maturities will also be established.

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- **Revenue Collection:** Water services revenue will continue to be collected through targeted rates, as either a fixed rate per connection or per SUIP. Volumetric charges (per cubic metre) based on consumption will also continue, with an intention to roll this out to more residential connections from 1 July 2027 (following the 2027/37 LTP process).

This revenue will be invoiced and collected by SDC (on behalf of the SWIBU), with the revenue being internally invoiced and paid over to the separate SWIBU bank account quarterly.

The revenue charges will be set through the Long Term and Annual Plan processes and adopted through SDC's rates resolution. Separate detailed budgets for the water services activities (including depreciation, debt servicing, debt repayment and capital expenditure) will ensure that revenue charges are calculated and set to cover the full costs of water services.

- **Separate Accounting:** SDC currently reports water services finances separately through its water supply, wastewater and stormwater costs of services statements and funding impact statements. Property, plant and equipment, loan balances and reserves attributed to water services activities is also tracked. From 1 July 2027, these opening balances will be incorporated into a new and separate SWIBU balance sheet and general ledger "entity" within the current Authority finance system.

A new separate SWIBU business bank account will also be opened, enabling its invoicing, procurement, and all other financial transactions to be run independently and recorded accurately in this new "entity" general ledger separate from other SDC activities. Full SWIBU financial reports will be produced (at least quarterly) including:

- Statement of comprehensive revenue and expense;
- Statement of financial position;
- Statement of cashflows;
- Cost of service statements;
- Funding impact statements;
- Treasury performance; and
- Capital Expenditure reports.

These financial reports will be subject to the annual audit by external auditors of the Office of the Auditor-General.

Services provided internally by SDC to SWIBU, such as payroll, finance, HR and IT support will need service level agreements in place that include service standards, performance expectations and the costing methods. Costs for internal services need to be fair and transparently allocated to the SWIBU and will be based on either direct costing (e.g. actual hours worked through timesheets) or proportional allocation (e.g. based on FTE's or budget size).

SDC will issue internal invoices to the SWIBU for all costs (internal and external) that it has incurred on its behalf, ensuring its ring-fenced financial records reflects the true cost of service delivery.

- **Contractual Arrangements:** SWIBU will manage the operational delivery of all three waters. It will however maintain service level agreements for stormwater and some development control with SDC.

The primary stakeholders for this service will be the Roading; Parks & Reserves and Environmental Services departments. Other contractual arrangements relating to property maintenance; leases, etc, will be contracted to SDC where necessary.

All of these arrangements will have formal service level agreements established, with service levels and performance expectations set and clear transparency of on-charging of costs. SDC will also continue to collaborate with NPDC and STDC, as well as other councils, in areas where shared services provide value for money and operational efficiency.

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Why the proposed delivery model was selected

SDC explored 2x delivery options and has selected the SWIBU as the preferred option for the future delivery of water services. SDC selected the SWIBU over the Regional WSCCO, for a number of reasons, chiefly because of the outcome of the community consultation, as resolved and ratified by Council at the **8th July 2025, Ordinary Meeting of Council**.

To demonstrate the ability to meet an Enhanced Status Quo, the SDC financial models has factored in the significant additional annual costs of approximately \$500K needed to enable and support ongoing regulatory compliance through increased team capacity and capability and enhancement of current systems to support better data quality which underpins robust investment decisions.

Other supporting rationale for the selection of SWIBU are the following:

- SDC has a proven good track record of compliance with legislative requirements, and this is expected to be continued and enhanced under SWIBU.
- The SWIBU model is highly achievable with minimal changes to our people, processes and tools, resulting in minimal disruption to service delivery.
- The SWIBU model will integrate additional staff and enhanced systems to more effectively meet the anticipated increase in regulatory requirements and achieve improved asset management outcomes.
- This SWIBU model features minimal increases in costs and overheads to achieve financial separation.
- The SWIBU model offers the highest level of local accountability and responsiveness to the Stratford community.
- SDC has a history of good fiscal management and meets the financial sustainability requirements, ensuring that the SWIBU will have adequate debt capacity to support increased infrastructure investment in the future.

Benefits of the Stratford Waters Internal Business Unit (SWIBU)

The Stratford District Council considers that there are benefits in adopting SWIBU for future water services delivery, some of which are summarised below.

- By maintaining an In-House Business Unit, SDC will continue to deliver high-quality water services to our community, while ensuring adequate capacity for future infrastructure investment and compliance with regulatory requirements.
- SDC will establish a Water Services Delivery Committee to oversee water delivery priorities, manage the investment programme, and ensure compliance with current and future water regulations.
- SWIBU water services delivery to the Stratford community will be through robust investment programmes that support the operational management and maintenance of assets for uninterrupted service delivery.
- The chosen in-house solution retains decision making close to the community and enables council to continue to utilise its role for the benefits of community and economic development.
- The Taranaki councils have a long history of collaboration. In their decision for an in-house business unit, elected members specifically identified collaboration with other councils as a desirable aspect of the future operations of our water services.
- The SWIBU is financially sustainable and through separately ring fencing its finances, cost of water services delivery will be transparent and fully funded for on-going and future success.

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Implementation plan

Council Commitment

SDC is committed to a transparent public consultation process, which allowed the Stratford Community to voice their preference for future service delivery. This consultation has landed a preferred outcome of SWIBU, consistent with 93% of submissions received, including those of our key Stakeholders, such as Ngāti Ruanui, preferring the Enhanced Status Quo model over the Regional WSCCO.

SDC is committed to giving effect to the SWIBU as the chosen service delivery model, and subject to WSDP approval. The Council will ensure its commitment through:

- Stakeholder Buy-in, effective consultation and collaboration with internal and external stakeholders;
- Regulatory Compliance, staying compliant with all local, national, and international regulations related to water management;
- Effective Leadership, having experienced and knowledgeable leadership overseeing the water services business unit;
- Technology Integration, implementing appropriate technology for asset management, monitoring, and customer service; and
- Community Engagement, ensuring that the community is informed and pursue customer satisfaction with the services provided.

Implementation Plan

SDC is committed to establishing a dedicated SWIBU managing the water services, by **1 July 2027**, ensuring effective delivery, compliance with regulations, sustainability, and future-proofing.

The implementation plan details the essential workstreams and timelines for establishing SWIBU within the local government framework.

Proposed workstreams and indicative timelines is provided in **Table 1 and Figure 12**. Outcomes expected by **Day 1** are:

- Full operational handover from transitional teams;
- Internal systems (including financial) live and functional;
- Staff confident in new roles;
- Community well-informed and supported; and
- Regulatory compliance confirmed through early audit or inspection.

Sensitivity: General

Table 1: Workstreams Implementation Timetable and Indicative Timeframes

	Workstream and Indicative Timeframes	Objectives	Key Actions	Commentary
1	Governance Structure (3 months) Jan 2026 – Mar 2026	To establish robust governance arrangements to ensure clear decision-making, risk ownership and compliance oversight throughout the transition and beyond.	- Define internal and political accountability for the new business unit. - Develop clear escalation and reporting mechanisms to Council. - Embed risk and compliance tracking within governance reports.	SDC will establish a Water Services Steering Group to provide strategic oversight throughout the transition period. This group, chaired by the Chief Executive, will include Directors from Assets Corporate and Community Services (governance), and will report quarterly to the Policy and Services Committee. Once established, the dedicated Manager, Water Services will assume operational responsibility for all three waters functions, reporting directly to the Director- Assets will be the key interface with Taumata Arowai and other regulatory agencies. Clearly define responsibilities for governance (Council), operations (management), delivery (staff), and regulatory interface (external), to ensure appropriate separation of oversight and operations, consistent with DIA expectations and the LWDW framework.
2	Financial Ringfencing planning and implementation (15 months) Concurrent with Workstreams 3, 4 & 5 Apr 2026 – July 2027	To establish a transparent and legally compliant separate financial structure and general ledger that separates water services financial activities from SDC.	- Create a separate general ledger and accounting structures “entity” for SWIBU within the SDC Authority financial system. - Reconcile SDC’s closing water services balance sheet items for transfer to the new SWIBU’s “entity” in Authority from 1 July 2027. - Develop the full range of financial reporting required to monitor and disclose financial performance, position and cashflows.	SWIBU’s financial ringfencing will be implemented through a new and separate balance sheet and general ledger “entity” within the current SDC Authority financial system. This separate financial structure will: - Prevent cross-subsidisation between water and non-water services; - Enhance transparency for ratepayers and regulatory bodies; - Provide a basis for benchmarking and future investment planning; - Ensure adequate funding is available for infrastructure investment. Quarterly financial reporting will include actuals vs budget, CAPEX progress, and commentary on key drivers. SDC will engage with its external auditor to verify the integrity of its ringfenced accounting framework prior to Day 1 of operational go-live. Separate SWIBU’s business bank accounts, procurement, invoicing and loan accounts will be implemented from 1 July 2027 to ensure financial transactions are run independently and recorded accurately. Separation of the stormwater revenue from other UAGC revenue, through a new district wide stormwater fixed rate per SUIP to be implemented through the 2027/37 LTP process.

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	Workstream and Indicative Timeframes	Objectives	Key Actions	Commentary
3	Review and implement Revenue, Investment and Financing Programme (15 months) Concurrent with Workstream 3, 4 & 5 Apr 2026 – July 2027	To establish a financially sustainable model that supports long-term investment in water infrastructure while remaining affordable for ratepayers.	- Review existing investment plans and funding sources. - Update the Council's and develop SWIBU's Revenue and Financing Policy, Financial Strategy, and Treasury Policies. - Integrate and adopt SWIBU's ringfenced finances into SDC's 2027/37 LTP.	SDC will implement the financial plans and SWIBU's financial ringfencing from 1 July 2027 to align with the timing of the 2027/37 Long Term Plan and also to avoid the additional costs of an LTP amendment. The revenue and financial strategies will focus on full cost recovery over the long term; sufficient resources and financing availability for the planned infrastructure projects; and retaining affordability for the community. A separate Financial Strategy, Revenue and Financing and Treasury Policy will be developed for the SWIBU to support and guide its primary financial goals and purpose.
4	Resource & Infrastructure Review (6 - 9 months) April 2026 - Dec 2026	Build the organisational, system, and infrastructure capability required to operate an in-house water services business unit under new regulatory standards	- Recruit staff. - Train existing and new staff in regulatory and operational expectations. - Ensure tools, systems, are in place to support compliance and customer service. - Engage the community to ensure needs are met and communicate changes effectively.	To support this transition, SDC will establish a dedicated team with the skills and capacity to meet the performance and compliance expectations under the new legislative framework, as per the Organisational structure in Figure 1. SWIBU will be supported by shared services from finance, IT and communications, and will have access to specialist consultants as needed. Recruitment will be phased, beginning with key Managerial roles in late 2025. A training programme will ensure that all staff understand the legislative framework, new SOPs, risk management, customer engagement protocols and systems (e.g. Assetfinda, SCADA).
5	Operational Development and Integration (9 - 15 months) Concurrent with Workstream 4 April 2026 – Jun 2027	To Develop the operational systems, internal relationships, and frameworks required to integrate the new water services unit with broader SDC functions and ensure seamless service delivery.	- Embed the business unit's processes with existing SDC functions (e.g. finance, comms, IT, infrastructure). - Develop internal service level agreements (SLAs) and workflows to support cross-department collaboration.	- SDC Integration: Ensure compatibility with core systems and processes, including finance (billing, procurement), GIS, HR/payroll, and asset management tools. - Service Delivery Framework: A written framework will define Roles and responsibilities across teams; Escalation procedures; Customer service protocols; Shared resource use - Community & Stakeholder Engagement: A strategic communications and engagement plan will support the transition. This includes Public updates via SDC newsletters, website, social media; Hui and briefings with mana whenua and key community stakeholders; Development of customer-facing materials on service changes and water conservation

Sensitivity: General

	Workstream and Indicative Timeframes	Objectives	Key Actions	Commentary
			- Establish a formal service delivery framework. - Prepare operational teams and community for the service transition	- Infrastructure Alignment: Prioritise infrastructure renewals and upgrades that support effective operational integration and minimise service disruption. - Quality Assurance and Compliance: SOPs and service-level tracking systems will ensure that operational performance is monitored, with corrective actions taken where needed. This includes Incident response protocols; Audit schedules; Staff performance dashboards; Environmental compliance trackers
6	Workstream 6: DAY 1 - Full Operational Rollout (3 - 6 months) Jan 2027 – July 2027	Achieve a smooth and confident go-live of the new internal water services business unit, ensuring continuity of service and public trust.	- Begin live operations under the new business unit. - Transition operational responsibility from current structure to new business unit. - Monitor service delivery in real time and adapt as needed. - Continue proactive communication and engagement with the community.	- Service Implementation: Full transition of water service delivery functions, including asset operations, compliance, billing coordination, and customer service. Staff will be fully inducted into their new roles, and leadership will monitor operational performance closely. - Staff Adjustment: Assess staffing levels and workloads in the initial months. Where capacity gaps or inefficiencies are identified, the leadership team will adjust team structures, resources, or operating hours as needed. - Public Communication: A formal rollout campaign will inform the community communication. - Ongoing Community Engagement: SDC will continue its outreach and education efforts.
7	Workstream 7: Ongoing Monitoring and Optimisation Ongoing, Business as usual. July 2027 onwards	To maintain a continuous improvement culture, using performance data, risk monitoring, and legislative updates to improve service quality and resilience.	- Monitor service levels and customer satisfaction. - Track regulatory compliance and environmental performance. - Adjust operations and staffing to reflect evolving needs.	- To ensure ongoing success and transparency, SDC will track a set of Key Performance Indicators (KPIs) that reflect operational performance, compliance, community expectations, and sustainability. These KPIs will be reviewed annually and reported quarterly to SDC. They will be updated to reflect future regulatory requirements or community priorities. - A comprehensive transition risk register will be developed and maintained by the Water Services Steering Group.

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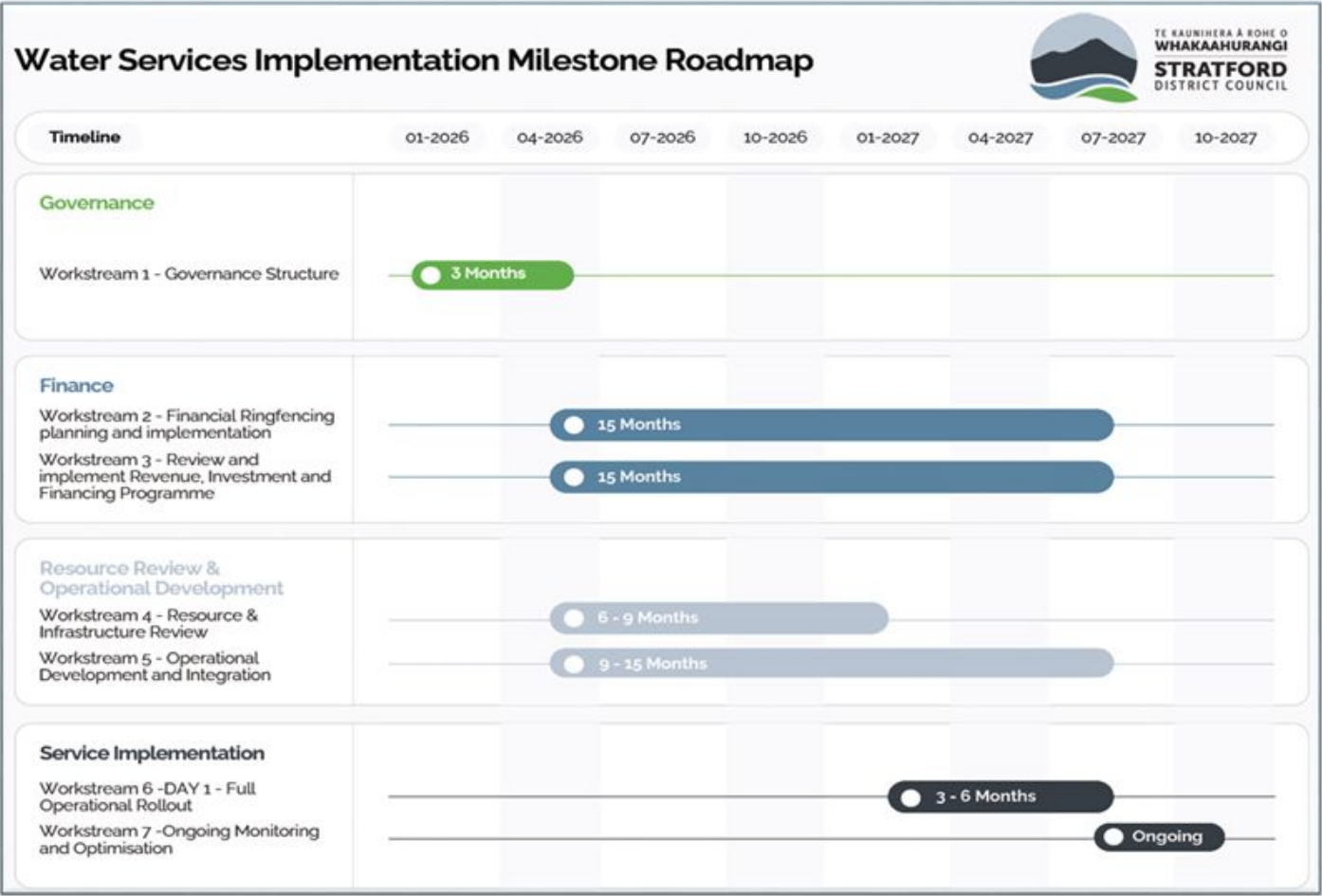


Figure 12: Water Services Implementation Milestone Chart

Sensitivity: General

Consultation and Engagement

SDC, since the inception of Local Water Done Well, has kept Elected Members, key Stakeholders and the community informed in a number of ways through.

- SDC Website;
- Social Media updates;
- Council Workshops and Meetings;
- Coverage in Council's weekly newspaper insert; and
- Key Stakeholder Engagement meetings.

A Water Services Delivery for Taranaki Project was set up early between the three district councils and this helped ensure consistency in communications and stakeholder engagement.

Local Water Done Well Consultation

As required under the Local government (Water Services Preliminary Arrangements) Act, Council undertook consultation under the requirements of section 82 of the Local Government Act 2002, and in manner that reflected the significance of the proposed decision.

On 25 February 2025, Council met to decide which model was their preference for consultation purposes. In a 7 to 4 vote a joint approach in the form of a regional Water Services Council Controlled Organisation (CCO) was confirmed as the preferred option for public consultation. The discussion reflected the complexity and importance of the decision before the Council, noting that both options have their advantages and disadvantages. One thing that was made clear by the Elected Members was the desire to hear from their community on what they believe is the best long-term option for the Stratford district.

On 10 March 2025, the Consultation Document was adopted by Council for public release. The alternative option included in the Consultation Document for public opinion was keeping the ownership and delivery of water services in-house, noting that this option would still result in some change to how SDC operates water services delivery and require increased investment to meet anticipated legislative and compliance requirements.

SDC consulted the community from 30 April to 30 May. Consultation ran parallel with neighbouring district councils and where possible resources were shared to encourage uptake in engagement across the Taranaki region. SDC utilised a wide range of media including Antenna App, print media, social media, radio and in-person engagements to encourage participation, and accepted submissions through a number of channels to maximise responses.

The Consultation Document was available in hardcopy at council facilities and public meetings as well as a downloadable PDF, and provided as HTML content on SDC's engagement platform Your Say Stratford. This can be viewed here: <https://www.yoursay.stratford.govt.nz/local-water-done-well>

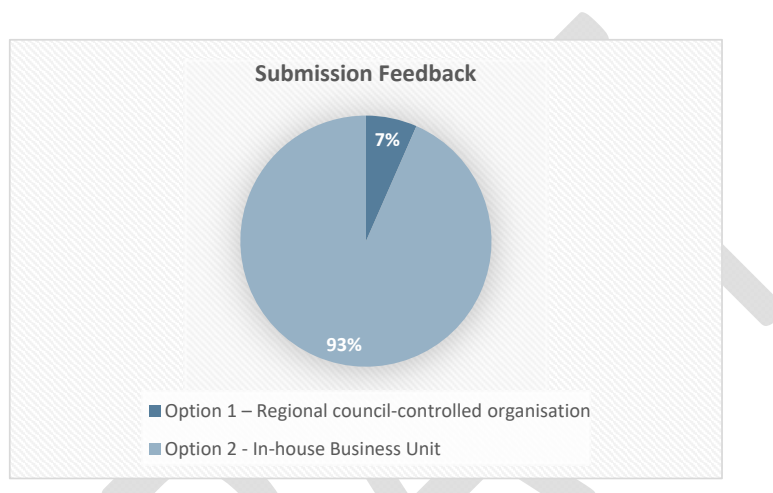
A total 185 submissions were received during the consultation period. 12 submitters supported the proposed Option A (Regional WSCCO), 170 supported Option B (stand-alone in-house business unit / Enhanced Status Quo) and 3 submitters didn't specify a preference. See **Table 2** and **Figure 13**.

Council is confident that consultation and decision making has been undertaken in line with the legislation, and that the community understands the implications of the final decision made.

Sensitivity: General

Table 2: Submission Feedback Summary

Options	Percentage	Count
Option 1 – Regional council-controlled organisation	7%	12
Option 2 - In-house Business Unit	92%	170
No option chosen	1%	3
Total	100%	185

**Figure 13: Submission Feedback - submitters that selected an option**

Submitters supporting **Option 1** (Regional CCO) considered the option:

- A practical and cost-efficient option;
- Providing access to greater funding opportunities; and
- The submitters' view of likely future council amalgamation also supported their view.

Some of the concerns expressed by Submitters supporting **Option 2** (In-house business unit) include:

- SDC being given a 'lesser' priority than the larger regional centres under a regional model;
- Other councils involved having the greater per-capita debt;
- Potentially under-estimated costs of setting up and running a new organisation;
- Future viability of a 'smaller' Stratford District Council; and
- Stranded costs/overheads under Option 1.

These submitters also expressed:

- A preference for the stronger local control that Option 2 provides; and
- Confidence that SDC is in a position to look after its own needs, citing historic performance as evidence.

Sensitivity: General

Engagement with Māori

The Water Service Delivery for Taranaki Project has had involvement and input from iwi/mana whenua by way of Post Settlement Governance Entity (PSGE) member participation in the Steering Group, Pou Taiao staff on the Project Working Group, Technical Working Group and briefings to Taranaki Iwi Chairs.

Governance considerations have been shared with Steering Group members including PSGE representatives, participating Pou Taiao staff and Iwi Chairs. Their feedback has been incorporated into delivery model development throughout the process, and were invited to make submissions during consultation.

SDC also received a submission from Ngāti Ruanui as part of the public submission process, favouring **Option 2**, the In-house delivery model.

Council decision

Elected Members heard from and deliberated on submissions received at a Policy and Services Committee meeting on 24 June 2025. This resulted in a unanimous decision to recommend an in-house delivery model for water service delivery.

The main themes from elected members in making their decision on an in-house delivery model included:

- Overwhelming support from the community;
- SDC's capabilities to meet current and future legislative requirements;
- Retaining local decision-making;
- SDC's ability to manage existing debt and borrow for future infrastructure projects; and
- Collaboration is already at play and SDC will continue to identify ways of working with other councils if it's beneficial to Stratford district residents and ratepayers.

Full Council then ratified this recommendation on 8 July 2025, formally adopting:

- An in-house stand-alone business unit as the future delivery model for Water, Wastewater and Stormwater services for the Stratford district.

Next steps

SDC will keep the community up to date on the final outcome of the Local Water Done Well reforms via the same channels used for the consultation period.

Once the WSDP is approved, officers will begin work on engaging with key stakeholders and ratepayers on the implementation plan.

Sensitivity: General

Part B: Network performance

Investment to meet levels of service, regulatory standards and growth needs

Investment required in water services

Served population

- SDC currently services approximately 71 % of the district population for water supply and 61 % for wastewater, the remainder are rural properties which self-support.
- These ratios are expected to remain roughly the same over the next 10 years, at an indicative growth rate of 0.4% (**Figure 14**).

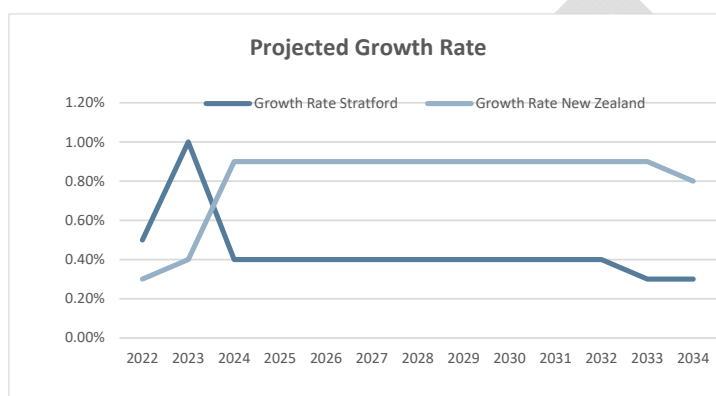


Figure 14: Projected Growth Rate

- Areas of growth are flagged in the draft Structure Plan, as the northern extent of the Stratford township, although, there are pockets of development scattered in the southern parts of the town.
- SDC actively supports subdivisions across the district to promote growth, including implementing a subdivision development project in the northern area of the Stratford district.

Sensitivity: General

Table 3: Projected Serviced Population**Water Supply**

Projected serviced population	2024/25	2025/26	2026/27	2027/28	2028/29	2029/30	2030/31	2031/32	2032/33	2033/34
Serviced population	7524	7554	7585	7615	7646	7676	7707	7738	7769	7800
Un-serviced population	3076	3046	3015	2985	2954	2924	2893	2862	2831	2800
Total residential connections	2894	2906	2917	2929	2941	2952	2964	2976	2988	3000
Total non-residential connections	231	232	233	234	235	236	237	238	238	239

Wastewater

Projected serviced population	2024/25	2025/26	2026/27	2027/28	2028/29	2029/30	2030/31	2031/32	2032/33	2033/34
Serviced population	6500	6526	6552	6578	6605	6631	6658	6684	6711	6738
Unserviced population	4100	4074	4048	4022	3995	3969	3942	3916	3889	3862
Total residential connections	2500	2510	2520	2530	2540	2550	2561	2571	2581	2591
Total non-residential connection	265	266	267	268	269	270	271	273	274	275

Stormwater

Projected serviced population	2024/25	2025/26	2026/27	2027/28	2028/29	2029/30	2030/31	2031/32	2032/33	2033/34
Serviced population	6612	6638	6665	6691	6718	6745	6772	6799	6826	6854
Un-serviced population	3988	3962	3935	3909	3882	3855	3828	3801	3774	3746
Total residential connections	2543	2553	2563	2574	2584	2594	2605	2615	2626	2636
Total non-residential connections	270	271	272	273	274	275	277	278	279	280

Note:

Every property in Stratford town, including residential, commercial or industrial is serviced by and connected to SDC's stormwater reticulation network through either direct connections, hardstand area connections or serviced road network drainage.

Sensitivity: General

Serviced areas			
The serviced areas are split into 3 water supplies and 1 wastewater service: - Stratford is the only township serviced by wastewater, several other communities are not served, including Toko, Midhirst and Whangamomona (Table 4). - The communities of Stratford, Midhirst and Toko are serviced by water.			
Table 4: Water Schemes and Serviced Areas			
Serviced areas (by reticulated network)	Water supply # schemes	Wastewater #schemes	Stormwater # catchments
Residential areas (If more than one identify separately)	- The Stratford Water Supply - 2753 connections - The Midhirst Water Supply - 108 connections - The Toko Water Supply - 33 connections	The Stratford Wastewater System - 2500 connections	- The Stratford Stormwater System - The Midhirst Stormwater System
Non-residential areas (If more than one identify separately)	- The Stratford Water Supply - 191 connections - The Midhirst Water Supply - 27 connections - The Toko Water Supply - 13 connections	The Stratford Wastewater System - 265 connections	- The Stratford Stormwater System - The Midhirst Stormwater System
Mixed-Use rural drinking water schemes (where these schemes are not part of the council's water services network)	N/A	N/A	N/A
Areas that do not receive water services (If more than one identify separately)	- Whangamomona – 26 - Douglas – 96 - Other rural areas in the district	- Whangamomona - 26 - Douglas - 96 - Toko - 203 - Midhirst – 41 - Other rural areas in the district	- Whangamomona – 26 - Douglas – 96 - Toko - 203 - Other rural areas in the district
Proposed growth areas - Planned (as identified in district plan) - Infrastructure enabled (as identified and funded in LTP)	Proposed Flint Road Subdivision 80 properties	Proposed Flint Road Subdivision 80 properties	Proposed Flint Road Subdivision 80 properties
Assessment of the current condition and lifespan of the water services network			

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Asset Network Age, Condition and Criticality

The Asset Information sections (Section 3) of the Asset Management Plans for Water, Wastewater and Stormwater, provide a detailed picture of the current condition and lifespan of the water services network. A concise summary is also provided in Section 6 of the Infrastructure Strategy², and in the charts (**Figures 15 – 17**) and **Table 5** below.

- Below ground water assets condition assessment is predominantly age-based as recorded in the Univerus (formerly Assetfinda) database.
- Below ground stormwater and wastewater assets condition assessment is a mix of CCTV and age based condition assessment.
- For above ground assets, condition assessment is through a combination of targeted visual inspections, analysis of collected data and maintenance monitoring. Visual targeted inspections (including sampling), and maintenance monitoring provide both qualitative descriptions and quantitative grading of asset component condition. Condition grading supports the development, maintenance, and renewal/replacement of an asset by enabling more accurate prioritisation of forward works programmes.

Generally, SDC takes a risk-based approach to monitoring the condition of assets and conducts condition assessments of its critical assets. Where assets have low risk because they are in the first half of their life, condition monitoring is low. If the consequences of running an asset through to failure are high, SDC through a more intensive monitoring regime and targeted inspections, holds more information on the asset condition.

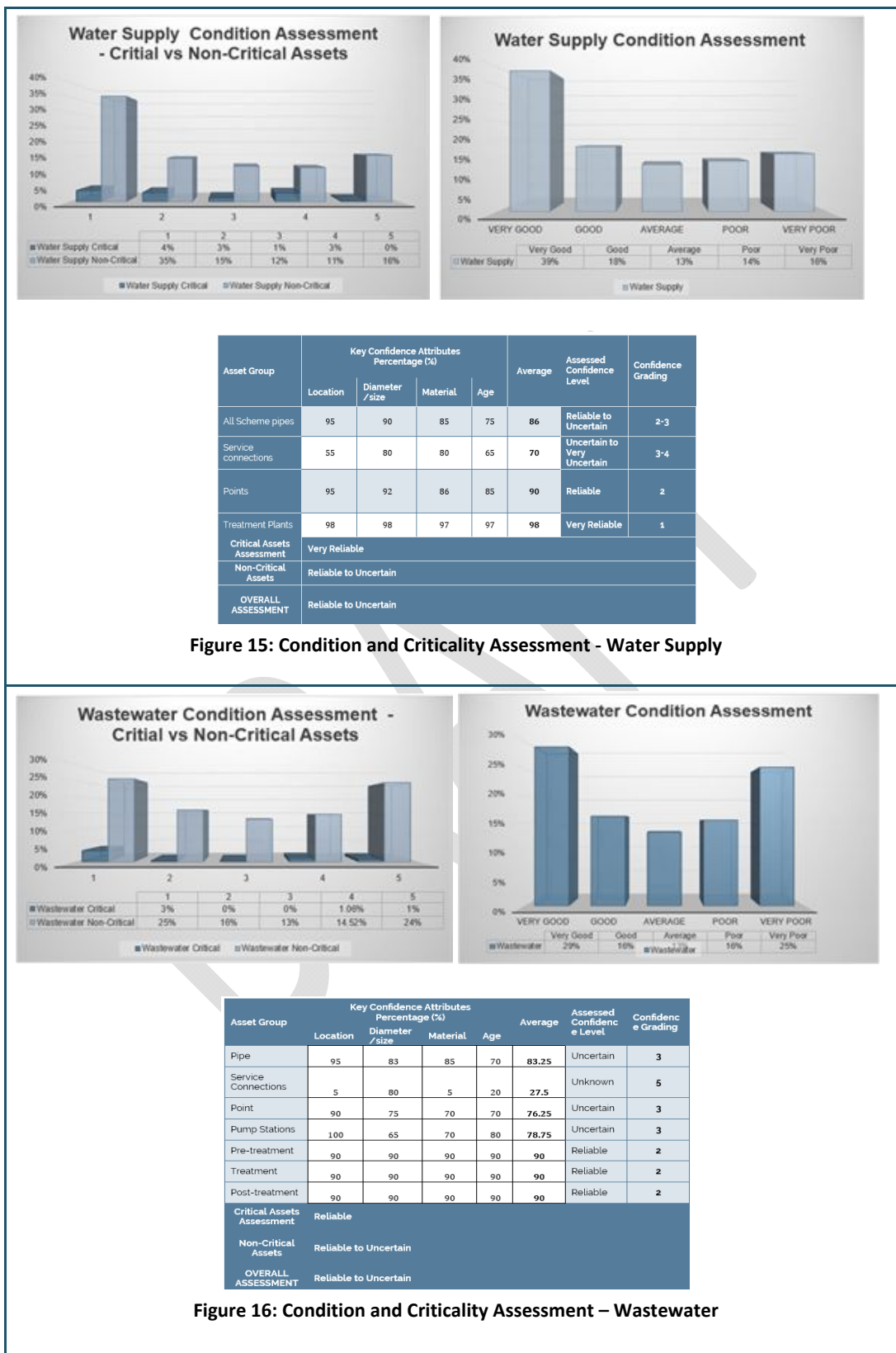
SDC has no backlog or deferred maintenance in its work programme. Critical assets are defined as those assets that are likely to have more significant consequences than other assets if they fail. Failure of critical assets has the potential to have significant economic, social and environmental impacts for the community and SDC. The Univerus database holds a record of all assets, with the critical network assets identified separately. SDC's Critical assets have been identified and are prioritised for maintenance, management and replacement as required.

Asset Information System

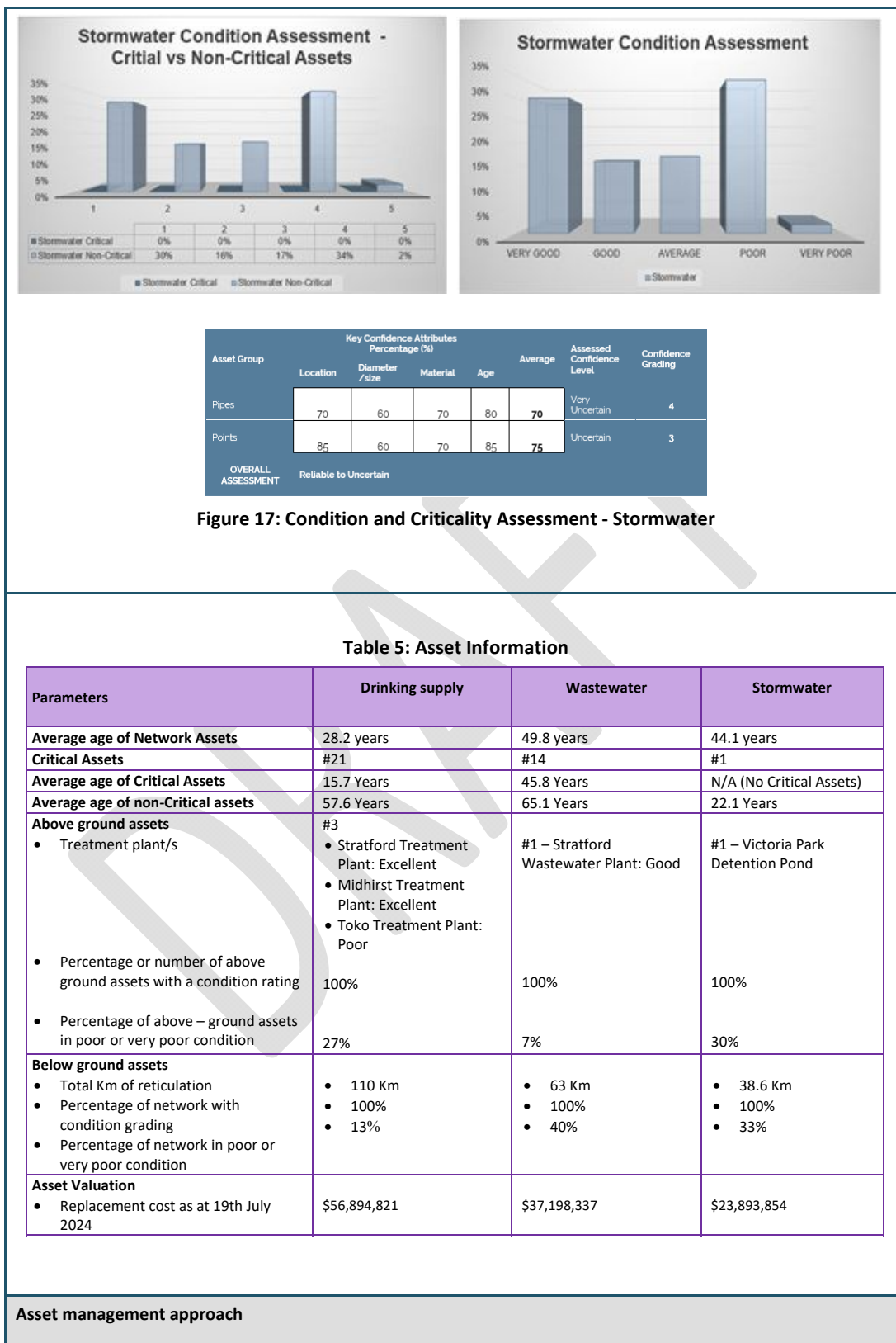
- General Asset Information is managed in the 'Univerus' (formerly Assetfinda) system to support management of the assets. Data on infrastructure assets is collected during inspections and monitoring using both paper based and electronic methods. All data collected is entered into 'Univerus' directly by the maintenance contractor and followed up by the Engineering Officer and GIS Officer.
- Operational performance is managed in 'Water Outlook' and the reporting tools within the 'SCADA' system. 'Water Outlook' imports both continuous online data and manual sampling information from the 'SCADA' servers and assists management of the water supply and wastewater activities by producing pre-formatted reports. These reports can be used to monitor compliance or operational parameters.
- Operational control is managed in the 'SCADA' control system for both water and wastewater activities. This system receives the most up to date information, allowing the operator to intervene and optimise the targeted outcome. Alarms are activated through the SCADA system allowing for a prompt response by the operator if necessary.

² Council Document Reference D23/46205

Sensitivity: General



Sensitivity: General



Sensitivity: General

Asset Management Approach

Details of the existing and proposed asset management approach for future water services delivery, including:

- Service Delivery Mechanisms;
- Asset Management Systems;
- Asset Management Policy or framework; and
- Contract Arrangements

can be found in the Lifecycle Management section (Section 7) of the Asset Management Plans and the Infrastructure Strategy 2024 – 2054, and are summarised below.

SDC proposes to continue to maintain this asset management approach under the SWIBU service delivery model.

Service Delivery Mechanisms (Existing and Proposed)

SDC uses a number of information systems to manage its water assets.

Corporate Systems

- The **ArcGIS** system is used to hold the spatial information of our assets, including location and connectivity as well as to build maps of the district and analyse associated data.
- The Council uses **'Authority'** – for a number of functions, including managing and maintaining the contract register, overseeing contract administration and handling the financial management of water service contracts.
- The Procurement Planning module within the **'Vendor Panel'** system supports operational procurement planning, guiding all projects with the appropriate processes and ensuring compliance through automated approval workflows
- General Asset Information is managed in the **'Univerus'** (formerly 'AssetFinda') system to support management of the water services. Data on infrastructure assets is collected during inspections and monitoring using both paper based and electronic methods. All data collected is entered into 'Univerus' directly by the maintenance contractor and followed up by the Engineering Officer and GIS Officer.

Operational Systems for Water and Wastewater

- **Operational** performance is managed in **'Water Outlook'** and the reporting tools within the 'SCADA' system. 'Water Outlook' imports both continuous online data and manual sampling information from the 'SCADA' servers and assists management of the water supply activity by producing pre-formatted reports. These reports can be used to monitor compliance or operational parameters.
- Operational control is managed in the **'SCADA'** control system. This system receives the most up to date information from all supplies, allowing the operator to intervene and optimise the safe and reliable production of drinking water and wastewater treatment operations. Alarms are activated through the SCADA system allowing for a prompt response by the operator if necessary.
- The **'ReticManager'** system processes and analyses SDC wastewater inspection data, offering insights into the condition and performance of the Council's assets, as well as identifying when renewals are needed. This ensures SDC can make well-informed decisions regarding wastewater asset management.

Sensitivity: General

Asset Management Systems (Existing and Proposed)

Current asset management systems will be maintained and enhanced where necessary, under the SWIBU model, to provide a higher level of service that delivers more efficiencies for the community. These systems (see **Figures 18 & 19**) to be maintained/enhanced, will include, but not limited to:

- **Maturity Assessments** to evaluate the robustness of our processes and systems through gap analysis, action planning, benchmarking and periodically monitoring Improvements to track progress. The maturity of the various asset management disciplines is expected to improve under the SWIBU model
- **Criticality Assessments**, including Risk Management Systems, through prioritisation and focussing of resources on high-criticality items, implementing controls to reduce likelihood and/or consequence.
- **Maintenance Monitoring** to track performance by developing maintenance and replacement/renewal programmes, based on performance, condition assessments, risk profile, levels of service requirements, and undertaking predictive maintenance using condition data to plan maintenance before failure.
- **Routine and Targeted Inspections** to verify asset condition by identifying and reporting critical defects that require urgent rectification.
- **Condition Management System** for asset condition data management, through interventions for repair and replacement to enable lifecycle planning.
- **Confidence Grading System** to assess asset data reliability of data. This supports data quality assurance and continuous improvement for data collection methods and inspection quality.

Asset Management Policy or framework

Figures 18 & 19 below provide the asset management framework, which shows a compendium of strategies, policies, plans, bylaws, reports, etc, used to inform maintenance and capital projects contracts that ensure our waters assets are fit for purpose and continue to deliver uninterrupted services to the community.

Contractual Arrangements

SDC currently uses contractors to fulfil a number of operational functions. This arrangement is expected to continue under the SWIBU model. **Table 6** shows a summary of some key current contractual arrangements.

Table 6: A summary of Existing Contract Arrangements

Item	Contractors	Key Tasks
1	CityCare Group	3-Waters Reticulation Maintenance
2	SMS Engineering	Wastewater Maintenance
3	JLE Electrical; Greaves Electrical	Electrical Maintenance
4	Wai Comply	Drinking Water Standards Quality
5	Ash Air Ltd	Mechanical Maintenance
6	NPDC	I & E
7	Pestaway	Vermin Management
8	Retic Manager	Condition Assessment Reporting
9	Hills Laboratory; ELS	Sample Analysis

Sensitivity: General

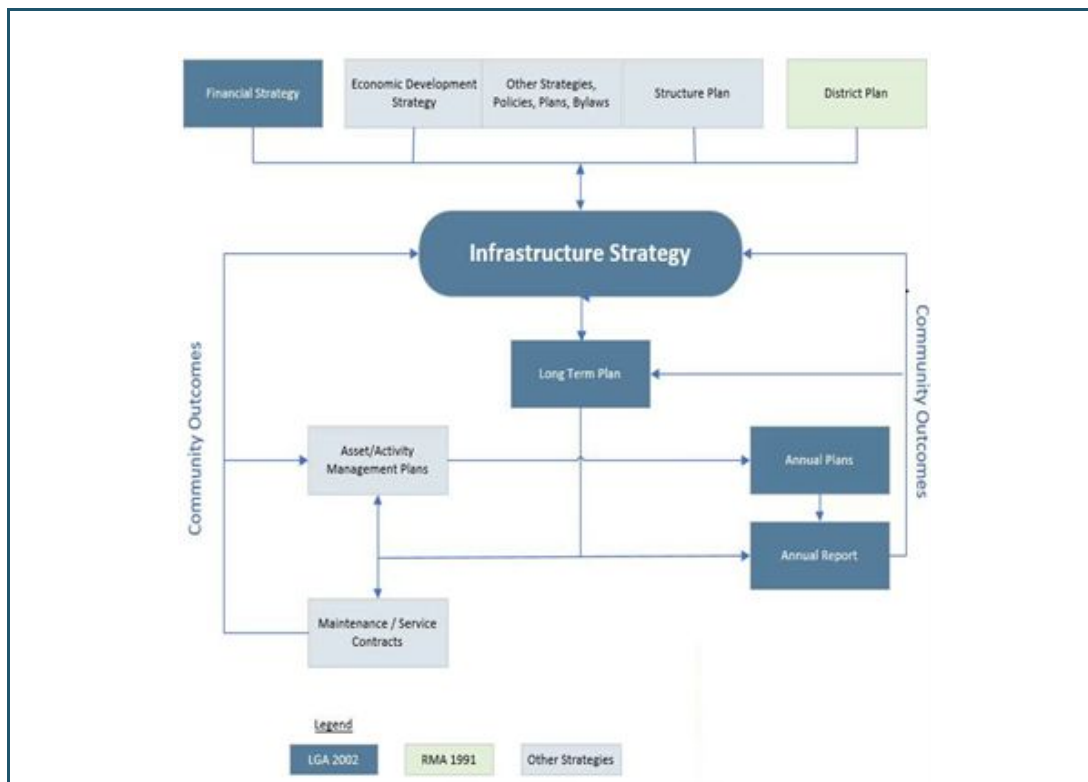


Figure 18: Asset Management Strategic Framework



Figure 19: Asset Management Policy Framework

Sensitivity: General

Statement of regulatory compliance

The tables below provide a summary of regulatory compliances achieved by SDC.

Table 7 shows Council's regulatory compliance performance in the last 24 months. Overall, SDC achieved a good report except for:

- A non-compliance for the DWQAR 2022 - Bacterial for the month of July 2024, as reticulation sampling exceeded the maximum number of days allowed; and
- 3x non-compliance notices in the last 24 months.

Table 8 shows Council's performance against the DIA level of service (LoS) performance measures.

SDC achieved all but in the:

- **'Average consumption of water'** performance measure - It is expected the demand management will be easily achieved once the implementation of universal water metering is completed in the next few years; and
- **'Total number of complaints received per 1000 connections'** performance measure. The non-achievement of this measure pertains to network blockages caused by inappropriate materials being flushed into the sewer system. Education campaigns are being developed and will be implemented to reduce the occurrence of these incidents over time.

Table 9 provides a summary of significant resource consents relating to the water services.

SDC has no expired resource consents, all resource consents are current.

Sensitivity: General

Table 7: Regulatory Compliance details (to date)

Parameters	Drinking supply schemes	Wastewater schemes	Stormwater Schemes/catchment
Stratford Water Scheme - Bacterial compliance (E.coli) - Protozoa compliance - Chemical compliance - Boiling water notices in place - Fluoridation - Average consumption of drinking water - Water restrictions in place (last 3 years) - Firefighting sufficient	No (one sample failed 2024/25) yes yes 0 Yes 317l/person/day Yes yes	n/a	n/a
Midhirst Water Scheme - Bacterial compliance (E.coli) - Protozoa compliance - Chemical compliance - Boiling water notices in place - Fluoridation - Average consumption of drinking water - Water restrictions in place (last 3 years) - Firefighting sufficient	Yes yes yes 0 No 334l/person/day Yes yes		
Toko Water Scheme - Bacterial compliance (E.coli) - Protozoa compliance - Chemical compliance - Boiling water notices in place - Fluoridation - Average consumption of drinking water - Water restrictions in place (last 3 years) - Firefighting sufficient	Yes yes yes 0 No 102l/person/day Yes yes		
Resource Management - Significant consents (note if consent is expired and operating on S124) - Expire in the next 10 years - Non-compliance: - Significant risk non-compliance - Moderate risk non-compliance - Low risk non-compliance - Active resource consent applications - Compliance actions (last 24 months): - Warning - Abatement notice - Infringement notice - Enforcement order - Convictions	Water supply take [3] Water discharge [3] [6] [0] [0] [0] [0] [0] [0] [0] [0]	Wastewater discharge water/land/air [4] [3] [0] [0] [2], EAC – 26097, EAC - 26097 Discharge of contaminants to land (from desludging of oxidation pond) [0] [1] [2] [0] [0]	Stormwater discharge [0], Network [1] [1] [0] [0] [0] [0] [0] [0] [0] [0]

Sensitivity: General

Table 8: DIA Level of Service (LoS) Performance Measures – 2023 - 2024

	DIA Level of Service (LoS) indicators	SDC	Target	Performance
A	Water Supply			
1	Water is safe to drink	Compliance with Drinking Water Standards NZ: - Part 4 Bacteria compliance criteria - Part 5 Protozoal compliance criteria	100%	Achieved
2		Maintenance of reticulation network - percentage of real water loss	<25%	Achieved
3	A reliable water supply is provided.	Fault Response Times: - Attendance for urgent call-outs; - Resolution for urgent call-outs; - Attendance for non-urgent call-outs; - Resolution for non-urgent call-outs	1 hour 8 hours 2 working days 5 working days	Achieved Achieved Achieved Achieved
4		Number of unplanned disruptions: - Minor - Major	<6 <3	Achieved Achieved
5	Water has a pleasant taste and odour.	Customer satisfaction - Total number of complaints per 1000 connections	<32	Achieved
6	Demand Management	Average consumption of water (l/p/day)	<275	Not Achieved
B	Wastewater			
7	Wastewater is managed without risk to public health.	The number of dry weather sewerage overflows per 1,000 connections	<5	Achieved
8		Discharge compliance with resource consents: - Abatement notices; - Infringement notices; - Enforcement orders; - Convictions	0	Achieved
9	Fault Response times	Fault Response Times: - Attendance times; - Resolution times;	1 hour 8 hours	Achieved
10	Customer satisfaction	Total number of complaints received per 1000 connections	<5	Not achieved
C	Stormwater			
	Stormwater system protects property from impacts of flooding.	The number of flooding events that occur per 1000 properties	0	Achieved
	Response Times	The median response time to attend a flooding event	1 hour	Achieved
	Customer Satisfaction	Total number of complaints received per 1000 properties	<8	Achieved

Sensitivity: General

Table 9: Summary of significant resource consents

Drinking supply schemes	Wastewater schemes	Stormwater Schemes/catchments
Water Take Consents 1276-3.0 Te Popo Abstraction . Expiry 01/06/2045 1337-4 To take and use groundwater from a bore for Toko rural water supply purposes. Expiry 1/06/2040 0195-3 Patea & Konini Abstraction (Stratford Water Supply) expiry 01/06/2034 Discharge Consents 6065-2.0 Toko Discharge from Water Treatment Plant expiry 1/06/2040 1331-3 Discharge to land via soak hole from Midhirst Water Treatment Plant expiry 01/06/2033 0068-4 Discharge to Patea River from Stratford Water Treatment Plant expiry 01/06/2034	Discharge Consents 0196-5.0 Stratford Oxidation Pond Discharge to Patea River. Expiry 01/06/2034 3889-3 To discharge leachate into land and into groundwater adjacent to the Patea River. Expiry 01/06/2028 3890-3.0 To discharge stormwater and leachate from the former Huiroa landfill onto and into land in the vicinity of an unnamed tributary of the Makuri Stream. Expiry 01/06/2034	Discharge Consent 6468-2.0 – To erect, place and maintain a culvert in an unnamed tributary of the Kahouri Stream in the Patea catchment for flood control purposes. Expiry 01/06/2040. Network Consent 10901-1.0 Discharge stormwater from Aquatic Centre Portia Street. Expiry 01/06/2040 11210-1.0 To remove sediment and organic matter from the bed of Victoria Park Lake. Expiry 01/06/2027 3891-3.0 To discharge stormwater and leachate from the former Pukengahu Landfill into an unnamed tributary of the Waihapa Stream. Expiry 01/06/2034
Other consents 2452-3 To dam water in the Konini Stream with a 1 metre concrete weir for the Stratford town water supply expiry 01/06/2034 5353-2 To dam water in the Patea River with a 2.3m concrete weir for the Stratford town water supply expiry 01/06/2034		

Sensitivity: General

Capital expenditure required to deliver water services and ensure that water services comply with regulatory requirements

SDC confirms that the proposed investment shown in **Table 10**, as a minimum:

- Maintains the current level of service. The investment aligns to meet the levels of service and as shown in the replacement profiles vs renewal budget graph below;
- Covers the increased regulatory requirements and expectations of an *Enhanced Status quo*, in-house service delivery, including the additional levies imposed Taumata Arowai and the Commerce Commission;
- Benefits the Stratford communities, in terms of levels of service, compliance with regulatory requirements and providing for growth; and
- Is adequate to fund the necessary regulatory requirements to support growth and investments in the wastewater as required in the future.

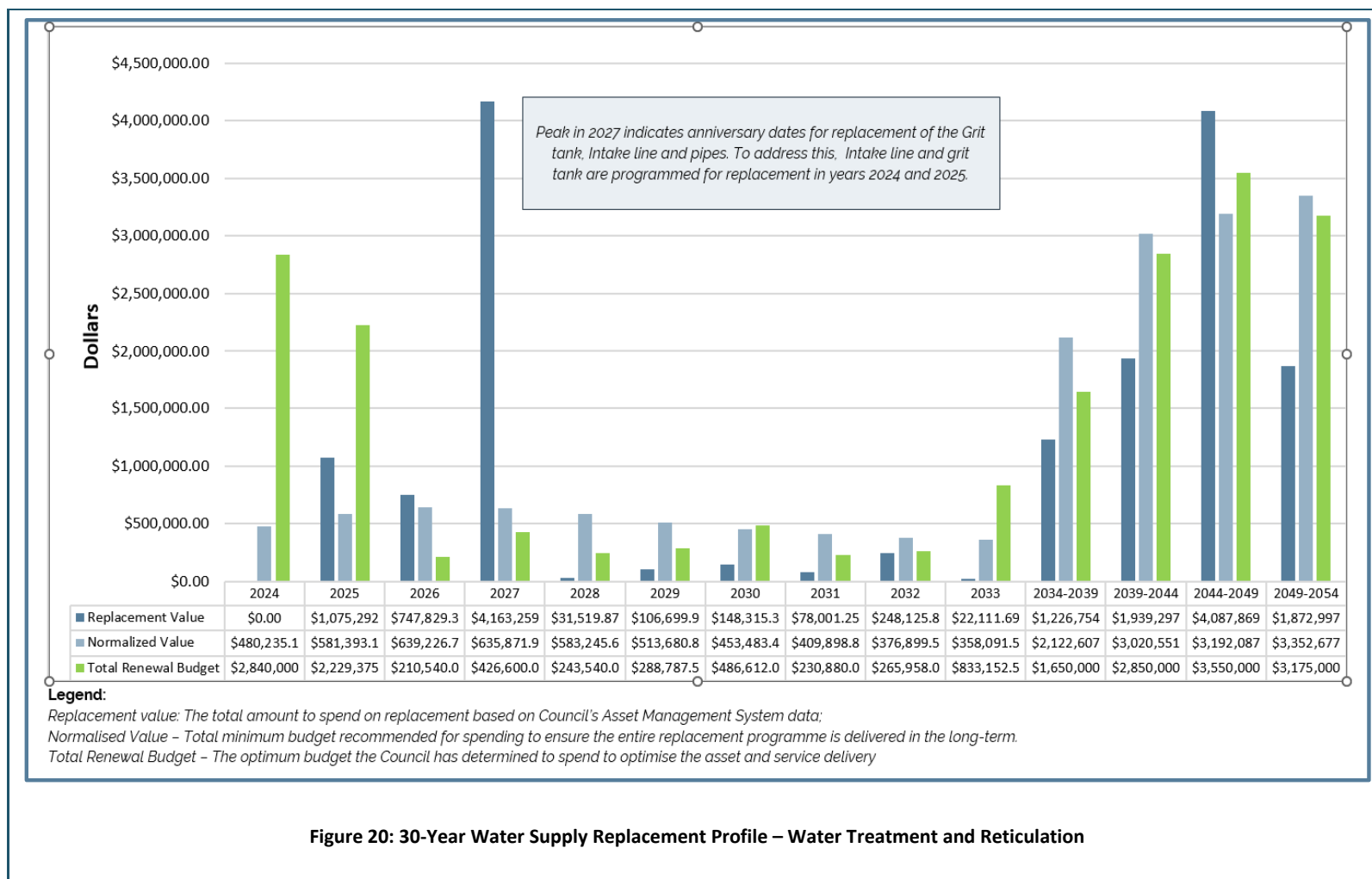
Figures 20- 23 shows the 3-waters replacement profile over a 30-year period:

- The asset replacement value is generally aligned with the approved Long-Term Plan (LTP) budget, as outlined in SDC's 30-year Infrastructure Strategy;
- The renewal budget is developed to deliver the required levels of service approved in the LTP.
- Peaks are further explained in the profiles, with a reliance on future condition assessments to inform the refinement of replacement needs.

Table 10: Summary of Significant Capital Expenditure

Activity	Project	10-year spend (\$)
Water Supply	Universal Water Metering	1,593,851
	W street work rider mains	300,000
	Automated Reticulation Modelling	486,000
	W reticulation modelling	215,750
	New Reservoir and bore for Stratford and Toko	9,423,250
	W New 30mm second trunkmain south	244,320
	Infrastructure renewal	3,435,445
	Stratford Grit Tanks	4,120,000
	Fluoride Plant Upgrade	300,000
	New Patea crossing	4,937,200
Wastewater	Pipework capacity increase	217,065
	West Extension	604,450
	New Discharge point	6,410,790
	WW treatment design	478,580
	WW Safety renewals	1,465,793
	Treatment Plant upgrade	562,500
	Pipe at Swansea Rd Bridge	1,152,485
	Infiltration Renewals	2,386,600
Stormwater	Desludging Pond	3,240,000
	SW Pipework Capacity increase	509,115
	SW Safety improvements	122,539
	SW modelling	515,860
	Reticulation Renewals	1,118,300
	SW silt retention Victoria Park	223,430

Sensitivity: General



Sensitivity: General

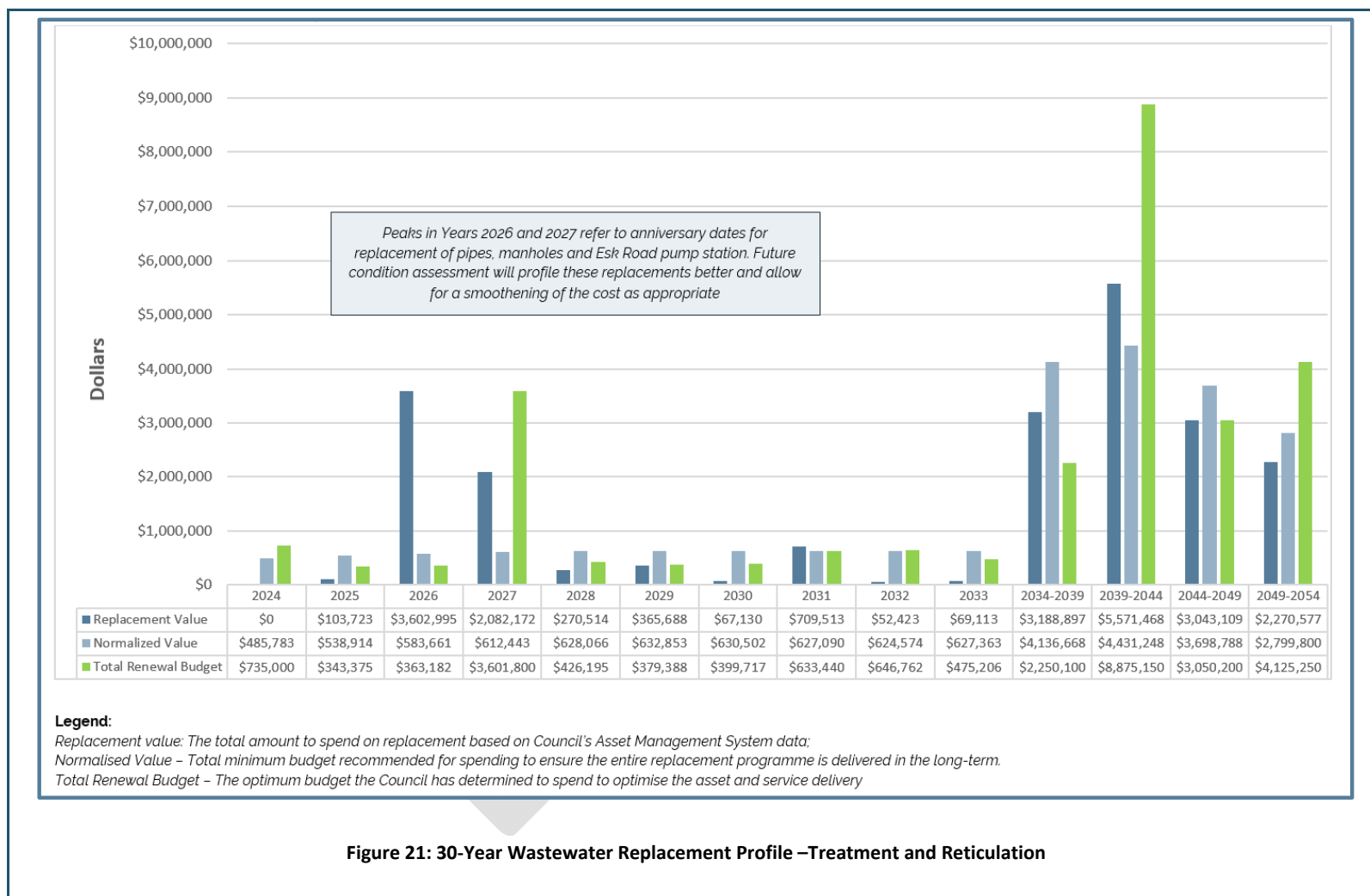


Figure 21: 30-Year Wastewater Replacement Profile –Treatment and Reticulation

Sensitivity: General

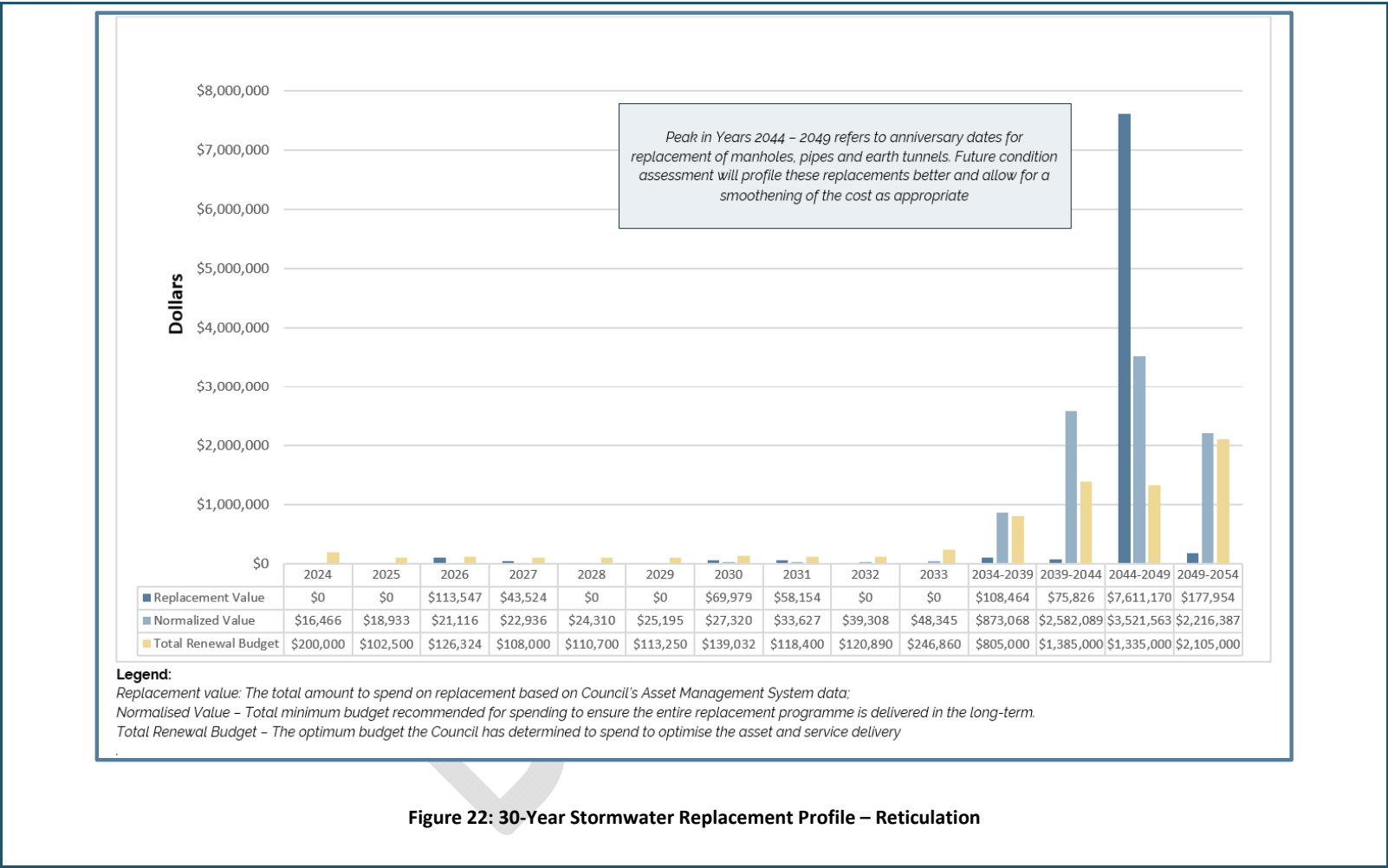


Figure 22: 30-Year Stormwater Replacement Profile – Reticulation

Sensitivity: General

Table 11: 10-year Projected Investment

Projected investment in water services	FY2024/25	FY2025/26	FY2026/27	FY2027/28	FY2028/29	FY2029/30	FY2030/31	FY2031/32	FY2032/33	FY2033/34
Drinking Water										
Capital expenditure - to meet additional demand	0	0	0	0	0	0	0	0	0	0
Capital expenditure - to improve levels of services	1,814	246	0	1,026	166	119	0	0	1,331	7,529
Capital expenditure - to replace existing assets	2,840	2,229	211	427	244	289	487	231	266	5,770
Total projected investment for drinking water	4,654	2,475	211	1,453	410	408	487	231	1,597	13,299
Wastewater										
Capital expenditure - to meet additional demand	0	0	0	0	0	0	0	0	0	0
Capital expenditure - to improve levels of services	150	513	158	216	0	0	232	118	725	316
Capital expenditure - to replace existing assets	735	343	363	3,602	426	413	400	633	647	475
Total projected investment for wastewater	885	856	521	3,818	426	413	632	751	1,372	791
Stormwater										
Capital expenditure - to meet additional demand	0	0	0	0	0	0	0	0	0	0
Capital expenditure - to improve levels of services	450	0	158	0	0	198	116	0	181	0
Capital expenditure - to replace existing assets	200	103	126	108	111	113	139	118	121	247
Total projected investment for stormwater	650	103	284	108	111	311	255	118	302	247
Total projected investment in water services	6,189	3,434	1,016	5,379	947	1,132	1,374	1,100	3,271	14,337

Sensitivity: General

Historical delivery against planned investment

SDC confirms:

- The appropriateness of the level of investment that was delivered against what was provided for in the relevant Long-Term Plan;
 - Underspends are attributed to competitively tendered projects, which resulted in savings; a reprioritisation / review of asset condition which resulted in deference of project; and
 - Overspends resulted from tendered prices being over the engineer's estimates used to inform the budget.
- That any constraints on delivery that impacted historical actual investment included:
 - Resource constraints – Contractor and Staff shortage;
 - Late delivery of designs which affected the physical works' timeframe; and
 - Regulator Changes that resulted in additional requirements/outcomes, pushed out planned delivery dates.
- That some of the steps being taken to improve future delivery against the Plan include:
 - Better estimates to align budgeted to actual expenditure;
 - Timely recruitment of competent and adequate staff to oversee project management;
 - Better procurement planning to align projecting with delivery; and
 - Allowance of adequate time for the complete execution of the planning phase of each project to avoid (for example) late delivery of engineering designs and tendering etc;
- That peaks in future years and approach to accommodate and deliver on the planned investment are being addressed by (see replacement profile figures above):
 - Upfront investments for critical infrastructure assets (i.e. grit tank; wastewater desludging project);
 - Condition assessment to better understand asset condition, performance and impact on residual lives; and
 - Critical asset review to assure robust identification, prioritisation and programming for replacement/renewal.

Table 12: Delivery against planned investment

Delivery against planned investment	Renewals investment for water services				Total investment in water services			
	FY2024/25	FY21/22 - FY23/24	FY18/19 - FY20/21	Total	FY2024/25	FY21/22 - FY23/24	FY18/19 - FY20/21	Total
Total planned investment (set in the relevant LTP)	3,775	2,904	2,889	9,568	6,189	9,576	6,821	22,586
Total actual investment*	1,526	2,461	1,981	5,968	2,345	8,298	3,895	14,538
Delivery against planned investment (%)	40%	85%	69%	62%	38%	87%	57%	64%

Note:

In FY2024/25 for both 'Renewal Investment' and 'Total investment' in FY2024/25, the percentage delivery against planned investment is less than 50%, owing to Significant investment projects carried over to Year 2, including \$2M of renewal funding and an additional \$1.5M of level of service funding:

- \$1.6M of Grit Tank funding (renewal) was carried over due to the extended design requirements from multiple parties to support project planning and procurement. This project will be advertised in September; construction is set to commence in summer;
- \$300k for the fluoridation project (renewal) was carried over – this project has now been awarded and commencing in August 2025;
- \$100k of stormwater renewal work commences in summer of 2025;
- \$1.1M of Universal Water Metering funding (level of service) was carried over for project completion in Year 2 – project practical completion is anticipated by October 2025; and
- \$400k of stormwater modelling (level of service) is well underway, completion date is November 2025.

Sensitivity: General

Additional guidance for Statement of Regulatory Compliance

SDC Confirms that:

- There are no delays to applying for wastewater consent replacements while waiting for new regulatory wastewater standards;
- There are no issues with water take/source consents or implementation of water safety plans and associated improvement works; and
- The investment plan includes fluoridation installation or associated upgrades (under the Health Act 1956).

DRAFT

Sensitivity: General

Part C: Revenue and financing arrangements

Revenue and charging arrangements

Revenue and charging arrangements

Charging and billing arrangements

The current charging mechanisms for water services are included in detail in SDC's 2024/34 Long Term Plan.

Water Supply

- Water supply is currently charged at a fixed rate per connection (with a 50% charge for serviceable properties that are not connected), and a consumption rate charged on a separate invoice, per cubic metre (for water in excess of 250 cubic metres per year) for water metered commercial and non-standard residential properties.
- With the rollout of universal water metering, the proportion of fixed to variable charging will be reviewed at the 2027/37 Long Term Plan. It is the intention that variable (metered) charging will increase and a reduced fixed charge will remain. It is expected that the new charging system will capture a larger water supply rating based on separately used and inhabited properties (SUIPs) which are assessed to be greater in number than the current per connection rating basis.
- Summary of the current 2025/26 charges (including GST):
\$713 per connection, and for serviceable properties \$356.50 per rating unit, being 50% of the targeted rate. For water metered commercial and non-standard residential properties, a charge of \$2.53 per cubic metre of supply in excess of 250 cubic metres per annum.

Wastewater

- Wastewater is charged at a fixed rate per connection with additional charges based on demand for commercial ratepayers. This charging mechanism is expected to remain for now, however, in the future is expected to change to volumetric charge coupled to the water consumption.
- Commercial ratepayers are charged an additional rate per toilet. Trade waste customers pay additional fees and charges.
- Significant investment is planned in wastewater infrastructure, consequently from a current low base, it is planned for the largest increase in rate charges.
- Summary of the current 2025/26 charges (including GST):
\$464 per SUIP, and for serviceable properties \$232 per rating unit, being 50% of the targeted rate. Commercial properties are rated separately based on the number of toilets, and serviceable properties are not charged. Refer to the commercial charges section.

Stormwater

- Stormwater is currently charged by UAGC. It is intended that Stormwater will transition to a district wide standalone fixed rate per SUIP. A district wide charge is justified as the stormwater activity enhances the life of other infrastructure (including roading) and protects the economic centre of the district during a major rainfall event.
- The 2025/26 charges (including GST) is approximately \$109 per SUIP.

Sensitivity: General

Water services revenue requirements and sources

SDC will continue to collect targeted rates under the current mechanisms and will be the primary revenue source. SDC will pass the revenue directly through to the SWIBU on a quarterly basis. Water revenues will cover the full costs of water delivery including: operational expenditure, fully funded depreciation, debt servicing and debt repayments.

- Main source of revenue will be fixed (water supply, wastewater, stormwater) and volumetric (water) rates.
- With the rollout of universal water metering, the proportion of water supply fixed to variable charging will be reviewed at the 2027/37 Long Term Plan. It is the intention that variable (metered) charging will increase and a reduced fixed charge will remain from 1 July 2027.
- Increasing the number of water supply fixed rate charges will also be reviewed at the 2027/37 Long Term Plan, with the intention to charge on a per SUIP basis rather than the current per connection rating basis from 1 July 2027.
- User charges should incentivise water conservation and reduce demand per household.
- Development contributions are currently not charged, nor planned for in the future.

Sensitivity: General

Existing and projected commercial and industrial users' charges

SDC has a small base of commercial and industrial users ratepayers. It's current main source of revenue charges is a mixture of fixed and volumetric water rates. It is expected that the proportion of revenue received from the volumetric charges will increase and the annual fixed charges proportion will decrease from 1 July 2027.

Water Supply

Commercial properties pay a fixed rate per connection and a consumption rate per cubic metre (for water in excess of 250 cubic metres per year). Summary of the current 2025/26 charges (including GST):

- \$713 per connection, and for serviceable properties \$356.50 per rating unit, being 50% of the targeted rate and a charge of \$2.53 per cubic metre of supply in excess of 250 cubic metres per annum.

Wastewater

The Council has separate Wastewater targeted rates for commercial properties. Summary of the current 2025/26 charges (including GST):

- Commercial properties are rated separately based on the number of toilets, and serviceable properties are not charged.
- Commercial properties are defined as properties that are used for a commercial purpose under the valuer general rules, and are connected to the Wastewater network. Commercial properties are differentiated by use as follows:
- Commercial base category (all commercial rating units not included in any other commercial category) and the differential factor is also 1 (base) and the amount is \$464 per SUIP.
- Commercial 2 (commercial rating units used for an activity requiring 2 toilets) differential factor 150% of base and the amount is \$696 per SUIP.
- Commercial 3 (commercial rating units used for an activity requiring 3 toilets) differential factor 200% of base and the amount is \$928 per SUIP.
- Commercial 4 (commercial rating units used for an activity requiring 4 toilets) differential factor 225% of base and the amount is \$1,044 per SUIP.
- Commercial 5 (commercial rating units used for an activity requiring 5 toilets) differential factor 250% of base and the amount is \$1,160 per SUIP.
- Commercial 6 (commercial rating units used for an activity requiring 6 toilets) differential factor 275% of base and the amount is \$1,276 per SUIP.
- Commercial 7 (commercial rating units used for an activity requiring 7 toilets) differential factor 300% of base and the amount is \$1,392 per SUIP.
- Commercial Large (commercial rating units used for an activity requiring 8 or more toilets) differential factor 325% of base and the amount is \$1,508 per SUIP.

Stormwater

Commercial properties are currently charged for stormwater revenue through the UAGC, at the same rate as residential properties. It is intended that Stormwater will transition to a district wide standalone fixed rate per SUIP. A district wide charge is justified as the stormwater activity enhances the life of other infrastructure (including roading) and protects the economic centre of the district during a major rainfall event. The approximate 2025/26 charges (including GST) is:

- \$109 per SUIP.

Trade Waste

Trade waste customers pay additional fees and charges, however demand is low and this only generates revenue of approximately \$40k annually. No significant changes are planned.

Sensitivity: General

The affordability of projected water services charges for communities

According to international standards, 2-3% of median household income is considered 'affordable' for water user charges. As shown in **Figure 23** below, the projected water rates charges for SDC will cost between 1.6% to 2.7% (2.4% average) of the median household income over the 30 years projections, well within affordability limits.

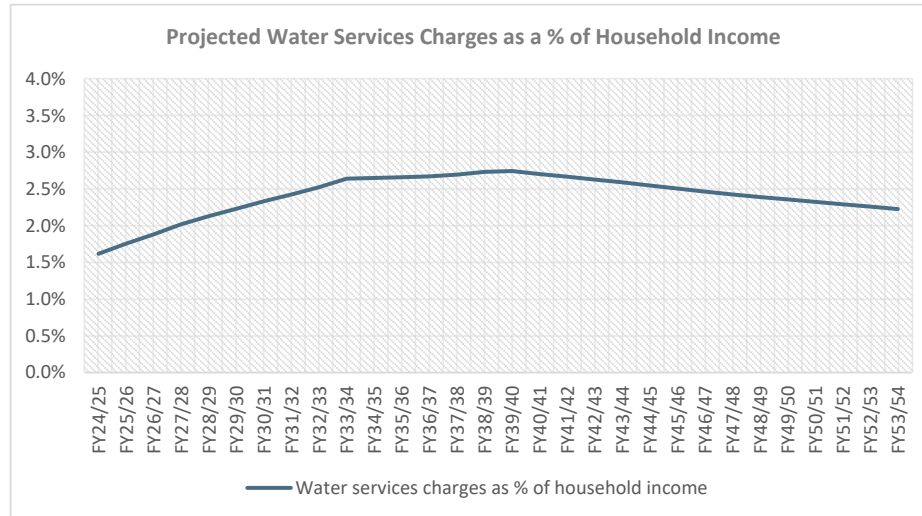


Figure 23: Projected Water Services Charges as a % of Household Income

SDC provides financial relief options for residents facing hardship in paying rates. The Rates Remission Policy includes provisions for extreme financial hardship, allowing for remissions in cases such as emergencies or disasters. Additionally the Department of Internal Affairs (DIA) Rates Rebate Scheme offers financial assistance to low-income homeowners, with rebates of up to \$805 for the 2025/26 rating year.

These measures aim to support residents struggling with water service costs while ensuring equitable access to essential services.

Sensitivity: General

Funding and financing arrangements

Funding and financing arrangements

Water services financing requirements and sources

The SWIBU will establish its own independent Treasury Policy to ensure that investments and borrowings are managed well and in compliance with legislation and covenant obligations.

The interest rate risk, liquidity, credit exposure and debt repayments rules within the policy will help ensure that borrowings are fit-for-purpose to meet the Council's water services working capital, internal borrowing and external borrowing requirements.

Minimum cash and working capital requirements for sustainable delivery of water services are operating expenses less depreciation plus debt repayments, plus debt headroom in years 2034/35 to 3037/38 to build reserves to fund future significant capital projects.

Current projections include some early short-term borrowings for cashflow in 2026/27 and 2027/28 (with repayment by 2033/34), while rates grow to a level sufficient to fully cover working capital requirements. These borrowing projections are well within the LGFA debt covenants.

Borrowing Limits

The limits on debt are:

- SDC borrowing costs <15% of Annual Rates Revenue;
- SDC borrowing costs < 10% of Annual Operating Revenue;
- SDC borrowing limit < 115% of Annual Operating Revenue (planned to increase to 150% from 1 July 2027 (2027/37 Long Term Plan (LTP)));
- LGFA net interest costs < 20% of Total Revenue;
- LGFA net interest costs < 25% of Annual Rates Revenue;
- LGFA net debt < 175% of Total Revenue.

New internal limits on water services debt, planned to implement from 1 July 2027 (following the 2027/37 LTP) are:

- SWIBU net interest costs <35% of Total Water Services Revenue;
- SWIBU net debt < 500% of Total Waters Services Revenue.

Sensitivity: General

The following graphs in **Figures 24 & 25** demonstrate the borrowing projections over the next 30 years in comparison to borrowing limits. These are provided for both the LGFA net debt-to-revenue covenants at the all-of council level and also for water services only - at the Council internally set limits:

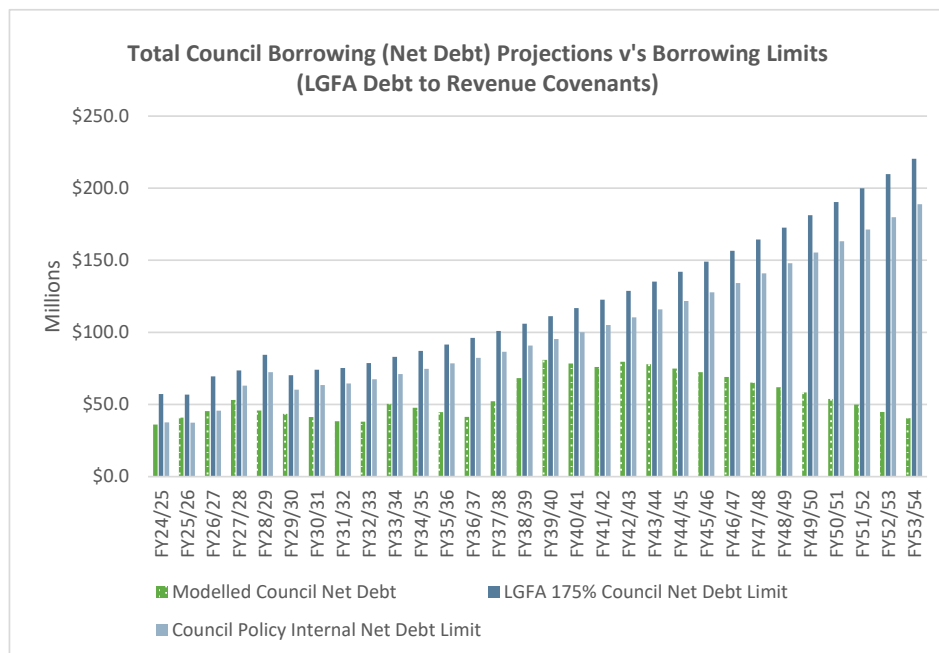


Figure 24: Total Council Borrowing (Net Debt) Projections v's Borrowing Limits

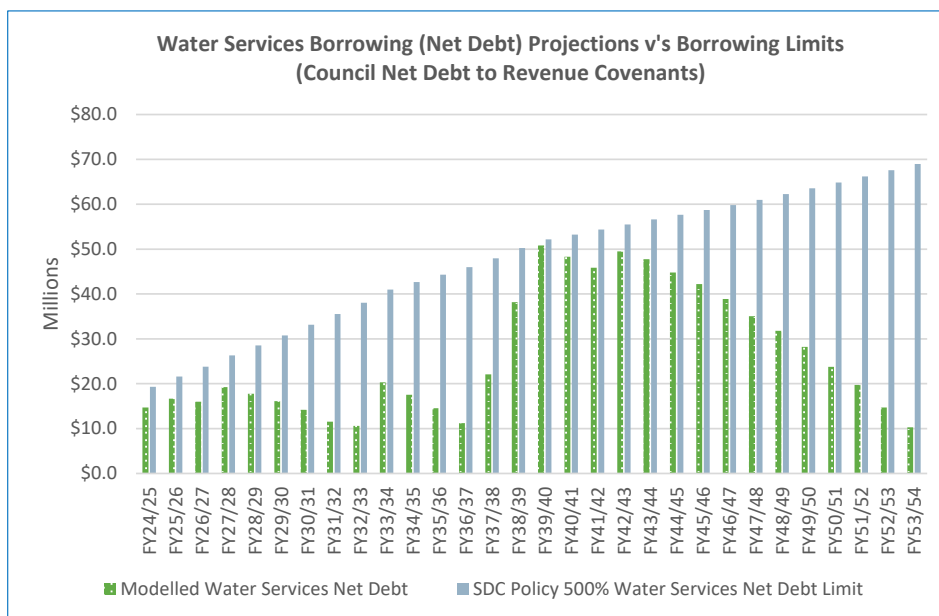


Figure 25: Water Services Borrowing (Net Debt) Projections v's Borrowing Limits

Sensitivity: General

- Borrowing projections are well within borrowing limits imposed by both LGFA and SDC policy. There is significant borrowing headroom against LGFA covenants throughout the whole 30 year period. The internal water services limits are only under pressure around the year 2040 for a short time while the waste treatment project is completed. This internal limit can be reviewed closer to the time if required.
- The significant borrowing headroom in the debt servicing limits is also evidenced in the graphs in the Part A - Financing Sufficiency section of this plan.
- SDC's external borrowing is 100% accessed via the Local Government Funding Agency (LGFA), primarily due to the cheaper interest rates available than from other lending institutions and banks.
- SDC's finance department will be responsible for managing all borrowings from the LGFA, and will be required to adhere to the rules of the SDC and SWIBU Treasury Policies.
- All SWIBU loans will be drawn specifically for its purpose only and a separate SWIBU loans schedule maintained. Separate financial records for SWIBU will include loan principal and interest repayment schedules and reporting against internal debt and borrowing limits/ratios set.
- SDC currently records the external borrowings allocated to water services within its finance teams externally audited loan workpapers. These records are also used for Long Term and Annual Plan loan projections and the determination of opening loan balances for this plan.
- In early July 2027, the finance team will complete and reconcile all water services external borrowings as at 30 June 2027 and will drawdown new LGFA loans for these balances to repay SDC. This will ensure full transparency and clear separation of SWIBU external loans on SDC's loan schedules and for recording in SWIBU's separate balance sheet.
- Debt repayments will be funded from cash surpluses in water services activities and is projected to result in a forecasted water services net debt of \$10.3 million in 2053/54, enabling plenty of debt capacity for any unknown future capital requirements.
- In additions to borrowings, SDC (including SWIBU) will utilise other mechanisms to fund operational and capital expenditure, such as funded depreciation, and special reserves. When taking on new debt, SDC considers these other funding mechanisms to ensure inter-generational equity is maintained.

Sensitivity: General

Internal borrowing arrangements

- SDC only has one internal borrowing for water services (drinking water) which is being repaid at \$80K per annum.
- Interest is charged at SDC's weighted average loan interest rate as at 31 December every year and is charged to the water supply activity only.
- There are no plans for any future internal borrowing.

Table 12 below outlines the projected internal borrowing requirements from the start of the SWIBU in 2027/28 through to the end of the first 10 years (2033/34) that this plan covers:

Drinking Water**Table 13: Projected internal borrowing requirements**

Internal Loan Summary		
Financial Year	Drawdown/(Repayment)	Closing Balance
Proposed debt ringfenced to SWIBU	\$790,795	\$790,795
2028/29	-\$80,000	\$710,795
2029/30	-\$80,000	\$630,795
2030/31	-\$80,000	\$550,795
2031/32	-\$80,000	\$470,795
2032/33	-\$80,000	\$390,795
2033/34	-\$80,000	\$310,795

Determination of debt attributed to water services

- SDC currently borrows from LGFA directly and allocates that borrowing to the respective activities within Council.
- Water services activity debt levels are currently kept separate for each water activity type and are ringfenced. Historically the water services debt relates to debt funded capital expenditure less debt repayments.
- Actual 30 June 2027 closing balances will be used to determine opening balances in support of the transfer of assets and liabilities to the new ringfenced SWIBU balance sheet and general ledger "entity" within the Council Authority finance system from 1 July 2027.

Sensitivity: General

Insurance arrangements

Insurance arrangements for the SWIBU will be included within SDC's current insurance arrangements, with the costs being invoiced internally from SDC to ensure that the costs are kept ringfenced to the water services activity.

SDC's current comprehensive insurance programme includes above ground and underground assets and includes the following insurance policies:

- Material Damage
- Business Interruption
- Motor Vehicle
- Personal Accident
- Employer and Statutory Liability
- Cyber Risk
- Travel
- Environmental Liability
- Public Liability/Professional Indemnity

SDC has an insurance framework which is reviewed every three years or earlier if needed.

SDC has a low risk appetite, with most material damage policies being for full replacement and with low deductibles. Reporting on insurance goes to the SDC Audit and Risk Committee, with significant insurance decisions then being formally approved by full Council.

Above Ground Assets

SDC has purchased insurance through brokers AON as a collective Taranaki Council's group, also including: New Plymouth District Council (NPDC), South Taranaki District Council (STDC) and Taranaki Regional Council (TRC).

SDC undertakes an annual review process of its insurance programme. The assets are formally valued for insurance purposes bi-annually.

Underground Assets

The underground assets (excluding Roding assets) are covered through SDC's membership of the Local Authority Protection Programme (LAPP). The LAPP Disaster Fund is a mutual pool created by local authorities to cater for the replacement of infrastructure following catastrophic damage by natural disaster.

Membership of LAPP is restricted to local authorities, although in some circumstances CCOs (Council Controlled Organisations) may also qualify for admission. Membership is expected to continue with this proposed in-house water services model.

The Fund is registered as a charitable trust under the Charitable Trust Act 1957 and the functions of the Fund are overseen by six trustees appointed by local government agencies. Current membership stands at 22 local authorities.

Sensitivity: General

The trustees require, as a condition of Fund membership, that all member authorities undergo a full risk management assessment programme. As a result, high risk exposures are identified and remedial action taken to help reduce the potential drain on the Fund and to minimise the impact on communities.

Members' contributions to the Fund are set annually and are assessed on a risk based actuarial formula which takes into account the replacement value of each member's infrastructural assets adjusted to recognise geographical exposures to risk such as floods, storms, volcanic eruptions and earthquakes.

Working with bodies such as the Institute of Geological and Nuclear Sciences, the National Institute of Water and Atmospheric Research and Lifeline groups, the Fund Risk Managers have established sophisticated asset and risk profiles for each Fund member.

Excess of Loss reinsurance protection is purchased to enhance the Fund balance. The level of this protection will depend on the capacity available from worldwide reinsurance markets from time to time and the price required to purchase that capacity.

Loss Modelling Analysis

The loss modelling analysis is undertaken by LAPP together with AON Global Risk Consulting (New Zealand) on an annual basis as per the insurance renewal cycle and Probable Maximum Loss (PML) cover limit is adjusted as a result.

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Sensitivity: General

Part D: Financial sustainability assessment

Confirmation of financially sustainable delivery of water services

Financially sustainable water services provision

Confirmation of financially sustainable delivery of water services by 30 June 2028

SDC can confirm that it will be financially sustainable as an in-house water services business unit by 1 July 2027.

This confirmation of financial sustainability includes that:

- SDC has sufficient revenue to cover all costs of water services delivery, including servicing of debt, to meet the new enhanced legislative requirements.
- This revenue sufficiency has been determined taking into account affordability by keeping within the water services charges as a percentage of household income at average levels lower than the benchmark of 2.5% of household income.
- The SDC capital programme includes sufficient investment to meet current and projected level of service, regulatory requirements and provide for growth.
- SDC has sufficient funding and financing arrangements to fund the capital programme, with additional headroom for unknown future investments.

Details and evidence of financial sustainability are included throughout this plan and in the remaining sections of Part D.

Actions required to achieve financially sustainable delivery of water services

- SDC is increasing water services revenue and is putting significant infrastructure investment in place to ensure that water services are well resourced and financially sustainable for the future.
- Projected price paths and revenue requirements included in this plan ensure that water revenues cover all costs, including depreciation and debt servicing.
- The capital programmes in this plan sets out our planned investment to meet levels of service, regulatory requirements, and growth.
- As demonstrated by graphs throughout this plan, SDC will remain below the legislated net debt limits, with sufficient debt headroom available.
- SDC has an implementation plan which is identified in Part A.

Sensitivity: General

Risks and constraints to achieving financially sustainable delivery of water services**Risks**

Outlined below are risks to achieving financial sustainability and how SDC intends to mitigate them:

- **Risk 1:** Water services net-debt-to-revenue ratio exceeds the SDC self-imposed policy limit of 500% in any year.
Mitigation: The whole of Council net-debt-to-revenue projected ratios are within all of Council Financial Policy limits and provides significant debt headroom. Regular long-term forecasting will be updated to monitor these ratios and this self-imposed limit can be reviewed and updated (if required) on a three yearly basis, through the LTP process. Consequently, this risk is considered low.
- **Risk 2:** CAPEX programme is materially different from projections.
Mitigation: The programme will be revised through annual budgets, and debt, interest and affordability projections will be updated accordingly. SDC has significant headroom before reaching LGFA borrowing covenants - to allow taking on additional debt if required.
- **Risk 3:** Assumptions and real inflation in the financial plans are materially different from reality.
Mitigation: The programme will be revised annually, taking into account external factors.
- **Risk 4:** Legislation, particularly in relation to infrastructure standards, is yet to be confirmed and subject to change.
Mitigation: SDC will work with central government and other councils to be prepared for incoming and updated legislation.
- **Risk 5:** Natural disaster could put fiscal pressure on SDC.
Mitigation: Insurance, reserves and additional debt capacity can be utilised. If the natural disaster is significant, central government support should also be received and a deferment/reprioritisation of work programme would be considered.

Constraints

- **Constraint: Regulatory and legislative:** Councils must operate within strict legal frameworks that can restrict borrowing, rate increases, or service changes. Compliance with evolving regulations also adds financial and administrative burdens.
- **Constraint: Political and community expectations:** Balancing financial sustainability with public and elected members expectations for high service levels and low rates.
- **Constraint: Debt and financial risk:** While borrowing can support investment, increased debt increases exposure to interest rate changes. Councils must carefully manage financial risks to avoid compromising future sustainability.

To address financial sustainability challenges, SDC looks for other revenue streams where possible, constantly works to enhance operational efficiency, adapts to legislative change, places emphasis on engaging well with our communities and manages financial risk through good financial planning, policies and responsible borrowing.

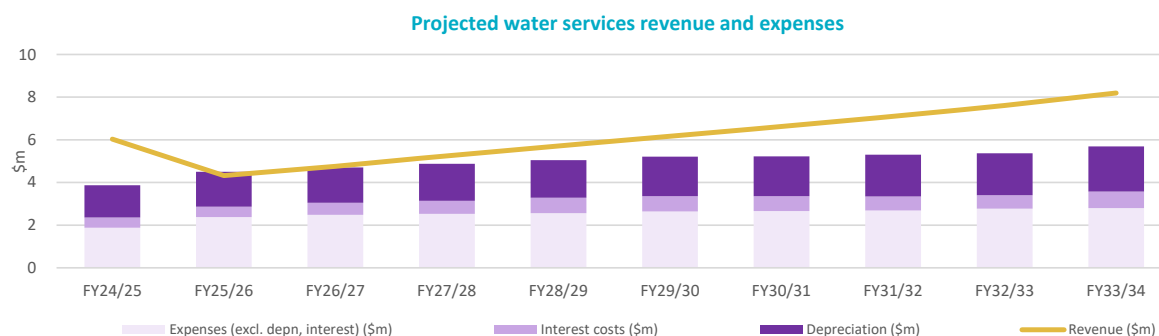
Sensitivity: General

Financial sustainability assessment - revenue sufficiency

Assessment of revenue sufficiency

Projected water services revenues cover the projected costs of delivering water services

The projected water revenues exceeds expenses (including depreciation and debt servicing) in all years except for 2025/26 where there is a small deficit of \$178k. These projected increases in revenue will fully fund the forecasted cost of water service delivery. The future surpluses are essential to fund the capital programme and debt repayments.



Average projected charges for water services over FY2024/25 to FY2033/34

Median household charges have been calculated using household (HH) median income from Stratford's 2023 Infometrics data and inflated at 3% each year. A typical urban household has been used to calculate the projected average charge per connection. With the introduction of universal metering for residential connections, there is an intention to move to a mixture of fixed and volumetric charging from the start of the next Long Term Plan - 1 July 2027.

10-Year Forecast of water services charges per connection:

Average charge per connection including GST	FY24/25	FY25/26	FY26/27	FY27/28	FY28/29	FY29/30	FY30/31	FY31/32	FY32/33	FY33/34
Average drinking water bill (including GST)	865	963	1,054	1,154	1,229	1,284	1,341	1,375	1,409	1,444
Average wastewater bill (including GST)	397	454	520	595	681	779	891	1,020	1,167	1,335
Average stormwater bill (including GST)	104	109	110	114	113	118	119	123	124	128
Average charge per connection including GST	1,365	1,526	1,684	1,863	2,023	2,181	2,352	2,518	2,699	2,907
Projected increase	14.7%	11.8%	10.3%	10.6%	8.6%	7.8%	7.9%	7.1%	7.2%	7.7%
Water services charges as % of household income	1.6%	1.8%	1.9%	2.0%	2.1%	2.2%	2.3%	2.4%	2.5%	2.6%

Sensitivity: General

Projected operating surpluses/(deficits) for water services

This ratio is an indicator of whether operating revenue is sufficient to cover operating expenses. Where this ratio percentage is negative, this represents the percentage increase required for revenues to cover costs. All figures are shown in \$000's. The table shows a small operating deficit in 2025/26 however, this is recovered in later years. Depreciation is fully funded in all years. Surpluses will be applied to funding debt repayments and asset renewals.

10-Year Projected operating surplus ratios for combined water services:

Operating surplus ratio	FY24/25	FY25/26	FY26/27	FY27/28	FY28/29	FY29/30	FY30/31	FY31/32	FY32/33	FY33/34
Operating surplus/(deficit) excluding capital revenues	0	(178)	59	384	661	947	1,411	1,799	2,240	2,505
Total operating revenue	3,866	4,320	4,758	5,259	5,706	6,153	6,632	7,101	7,608	8,194
Operating surplus ratio	0.0%	(4.1%)	1.2%	7.3%	11.6%	15.4%	21.3%	25.3%	29.4%	30.6%

Projected operating cash surpluses for water services

This ratio is an indicator of whether cash surpluses are generated from operations to pay interest, fund investment and repay debt. All figures are shown in \$000's. Operating cashflows are projected to be positive over the ten years in the model. Cash surpluses will be applied to debt servicing, debt repayments and asset renewals.

10-Year Projected operating cash ratios for combined water services:

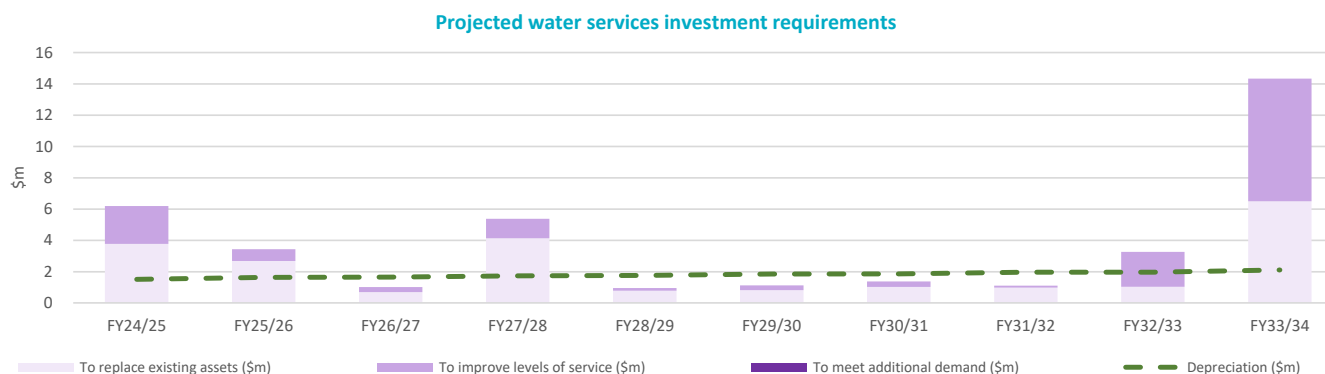
Operating cash ratio	FY24/25	FY25/26	FY26/27	FY27/28	FY28/29	FY29/30	FY30/31	FY31/32	FY32/33	FY33/34
Operating surplus/(deficit) + depreciation + interest costs - capital revenue	1,989	1,944	2,273	2,729	3,142	3,512	3,971	4,416	4,833	5,398
Total operating revenue	3,866	4,320	4,758	5,259	5,706	6,153	6,632	7,101	7,608	8,194
Operating cash ratio	51.5%	45.0%	47.8%	51.9%	55.1%	57.1%	59.9%	62.2%	63.5%	65.9%

Sensitivity: General

Financial sustainability assessment - investment sufficiency

Assessment of investment sufficiency

Projected water services investment is sufficient to meet levels of service, regulatory requirements and provide for growth



Renewals requirements for water services

This ratio assesses whether projected renewals investment is more or less than projected depreciation and is an indicator as to whether the renewals programme is replacing network assets in line with the rate of asset deterioration. Where the ratio is positive, this means that there is more projected renewals investment than projected depreciation. Where this ratio is negative, this means that projected renewals investment is less than projected depreciation. All figures are shown in \$000's. The proposed renewals investment has been taken from the Infrastructure Strategy 2024-54, and is consistent with the respective Asset Management Plans. Capital expenditure on renewals does not perfectly align due to the timing of renewals investment – some years are over, some are under. The average over the whole ten years is positive, at an average of 24%.

10-Year Projected asset sustainability ratios for combined water services:

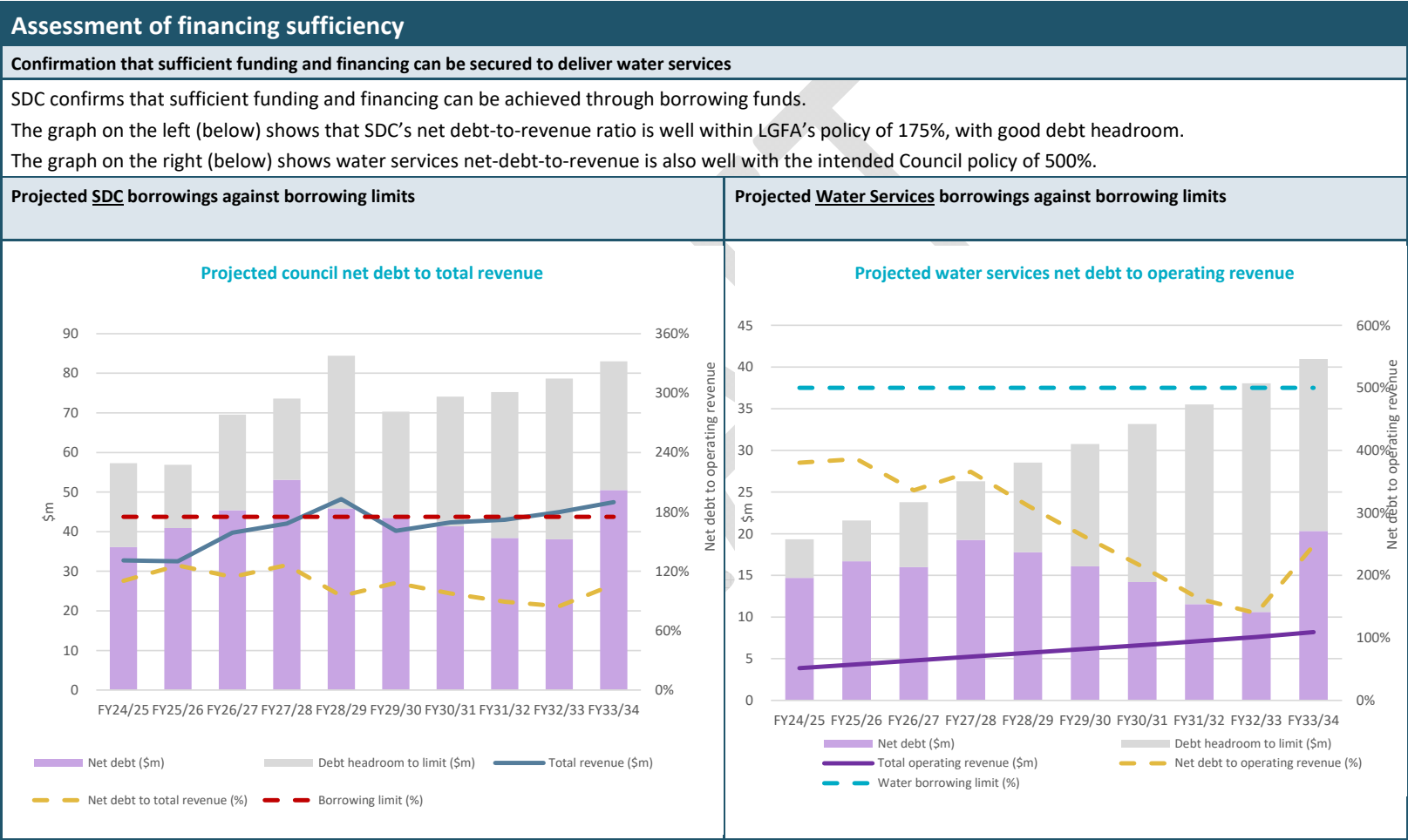
Asset sustainability ratio	FY24/25	FY25/26	FY26/27	FY27/28	FY28/29	FY29/30	FY30/31	FY31/32	FY32/33	FY33/34
Capital expenditure on renewals	3,775	2,675	700	4,137	781	815	1,026	982	1,034	6,492
Depreciation	1,506	1,631	1,648	1,738	1,763	1,855	1,861	1,963	1,966	2,112
Asset sustainability ratio	150.7%	64.0%	(57.5%)	138.0%	(55.7%)	(56.1%)	(44.9%)	(50.0%)	(47.4%)	207.4%

Sensitivity: General

Total water services investment required over 10 years										
This ratio compares total investment to projected depreciation. Where the ratio is positive, this means that there is more projected investment than projected depreciation. Where this ratio is negative, this means that projected investment is less than projected depreciation. All figures are shown in \$000's. The proposed renewals investment has been taken from the Infrastructure Strategy 2024-54, and is consistent with the respective Asset Management Plans. Due to timing some years are over, some are under, however over the span of the ten years the sum of the asset investment ratios is very positive.										
10-Year Projected asset investment ratios for combined water services:										
Asset investment ratio	FY24/25	FY25/26	FY26/27	FY27/28	FY28/29	FY29/30	FY30/31	FY31/32	FY32/33	FY33/34
Capital expenditure	6,189	3,434	1,016	5,379	947	1,132	1,374	1,100	3,270	14,337
Depreciation	1,506	1,631	1,648	1,738	1,763	1,855	1,861	1,963	1,966	2,112
Asset investment ratio	311.0%	110.5%	(38.3%)	209.5%	(46.3%)	(39.0%)	(26.2%)	(44.0%)	66.3%	578.8%
Average remaining useful life of network assets										
This ratio compares the book value of water infrastructure assets to total replacement value of water infrastructure assets. The ratio percentage represents the average remaining useful life of network assets. If this ratio materially reduces over time, then this means that the burden on future consumers to replace network assets is increasing. All figures are shown in \$000's. The asset consumption ratio remains at between 47-50% over the next ten years. Investment in renewals will be reviewed in three-yearly cycles to ensure optimum asset replacement is implemented.										
10-Year Projected asset consumption ratios for combined water services:										
Asset consumption ratio	FY24/25	FY25/26	FY26/27	FY27/28	FY28/29	FY29/30	FY30/31	FY31/32	FY32/33	FY33/34
Book value of infrastructure assets	77,434	83,109	82,477	90,242	89,426	93,174	92,687	96,458	97,762	114,875
Total estimated replacement value of infrastructure	155,125	166,315	167,331	181,077	182,024	192,257	193,631	204,413	207,683	232,404
Asset consumption ratio	49.9%	50.0%	49.3%	49.8%	49.1%	48.5%	47.9%	47.2%	47.1%	49.4%

Sensitivity: General

Financial sustainability assessment - financing sufficiency



Sensitivity: General

Projected borrowings for water services

The water services net debt-to-revenue ratio is well within the proposed *self-imposed* SDC limit of 500%. NB: All figures are shown in \$000's.

10-Year Projected water services net debt to operating revenue ratios

	FY24/25	FY25/26	FY26/27	FY27/28	FY28/29	FY29/30	FY30/31	FY31/32	FY32/33	FY33/34
Net debt to operating revenue										
Total net debt (gross debt less cash)	14,697	16,678	15,986	19,244	17,767	16,097	14,199	11,537	10,601	20,321
Operating revenue	3,866	4,320	4,758	5,259	5,706	6,153	6,632	7,101	7,608	8,194
Net debt to operating revenue	380%	386%	336%	366%	311%	262%	214%	162%	139%	248%

In-house business units financing sufficiency are assessed against the LGFA total SDC net debt-to-revenue ratio. SDC is also well within the LGFA's 175% net debt-to-revenue limit. NB All figures are shown in \$000's

10-Year Projected total Council net debt to operating revenue ratios

	FY24/25	FY25/26	FY26/27	FY27/28	FY28/29	FY29/30	FY30/31	FY31/32	FY32/33	FY33/34
Total Council net debt to total operating revenue										
Total Council net debt (gross debt less cash)	36,107	40,925	45,431	53,088	45,880	43,480	41,317	38,420	38,082	50,487
Total Council operating revenue	32,733	32,512	39,748	42,063	48,235	40,187	42,333	43,009	44,963	47,446
Total Council net debt to operating revenue	110%	126%	114%	126%	95%	108%	98%	89%	85%	106%

Sensitivity: General

Borrowing headroom/(shortfall) for water services

This measure determines whether projected borrowings are within borrowing limits, as well as the ability to borrow for unforeseen events. A positive number equates to the additional amount of borrowings that could be taken on without exceeding borrowing limits. A negative number means borrowings exceed the borrowing limit. All figures are shown in \$000's. There is significant debt headroom, especially from 2028/29 onwards to allow for unexpected circumstances.

10-Year Projected water services borrowing headroom - against 500% Council self-imposed limits

Borrowings headroom/(shortfall) against limit	FY24/25	FY25/26	FY26/27	FY27/28	FY28/29	FY29/30	FY30/31	FY31/32	FY32/33	FY33/34
Operating revenue	3,866	4,320	4,758	5,259	5,706	6,153	6,632	7,101	7,608	8,194
Debt to revenue limit	500%	500%	500%	500%	500%	500%	500%	500%	500%	500%
Maximum allowable net debt	19,331	21,598	23,789	26,296	28,532	30,764	33,161	35,505	38,040	40,971
Total net debt	14,697	16,678	15,986	19,244	17,767	16,097	14,199	11,537	10,601	20,321
Borrowing headroom/ (shortfall) against limit	4,634	4,920	7,802	7,053	10,765	14,667	18,961	23,968	27,439	20,651

In-house business units financing sufficiency are assessed against the LGFA total SDC net debt-to-revenue ratio 175% limit. As this table demonstrates - under these net debt limits SDC has even more significant debt headroom and is in a very good equity position for future borrowing if required. NB All figures are shown in \$000's.

10-Year Projected Council borrowing headroom - against 175% LGFA limits

Total Council borrowings headroom/(shortfall) against limit	FY24/25	FY25/26	FY26/27	FY27/28	FY28/29	FY29/30	FY30/31	FY31/32	FY32/33	FY33/34
Total Council operating revenue	32,733	32,512	39,748	42,063	48,235	40,187	42,333	43,009	44,963	47,446
LGFA debt to revenue limit	175%	175%	175%	175%	175%	175%	175%	175%	175%	175%
Maximum allowable net debt	57,283	56,896	69,559	73,610	84,411	70,327	74,083	75,266	78,685	83,031
Total Council net debt	36,107	40,925	45,431	53,088	45,880	43,480	41,317	38,420	38,082	50,487
Borrowing headroom/ (shortfall) against limit	21,176	15,971	24,128	20,522	38,531	26,847	32,766	36,845	40,603	32,543

Sensitivity: General

This graph outlines SDC's borrowing headroom over the first 10 years of the plan. This demonstrates significant debt capacity, particularly for a 'small council'.

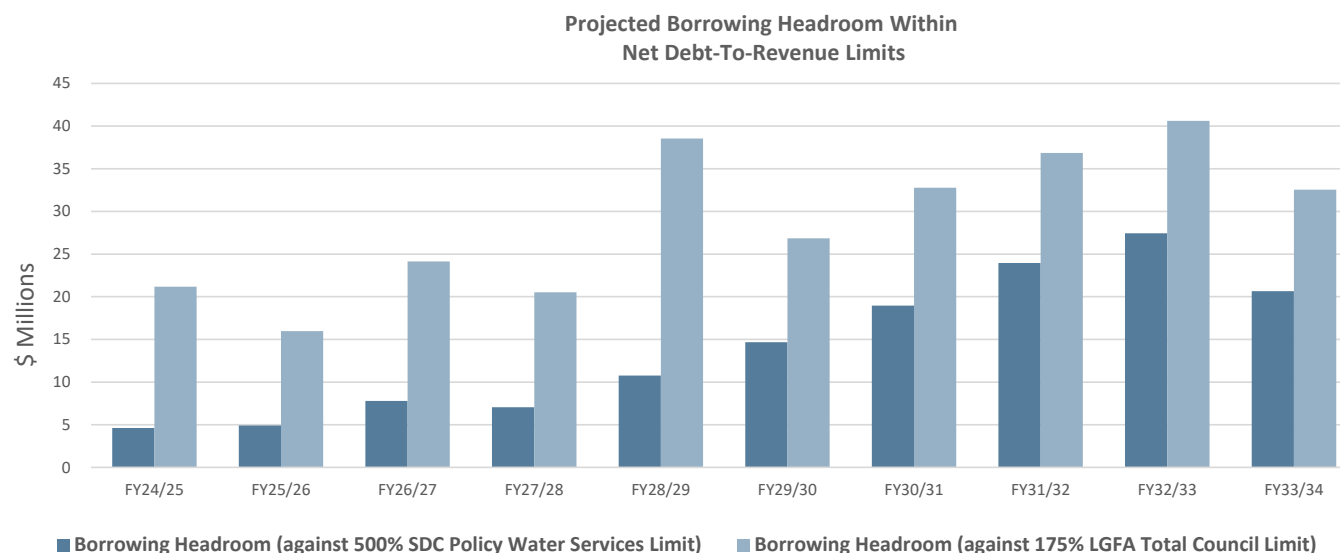


Figure 26: Projected Borrowing Headroom Within Net Debt-To-Revenue Limits

Free funds from operations

This ratio measures the percentage of debt balance that is generated in free cash flow each year and is key leverage indicator for financiers. All figures are shown in \$000's. The variability is impacted by planned capital expenditure, reserve and debt movements.

10-Year Projected free funds from operation ratios

Free funds from operations (FFO) to debt ratio	FY24/25	FY25/26	FY26/27	FY27/28	FY28/29	FY29/30	FY30/31	FY31/32	FY32/33	FY33/34
Total net debt	14,697	16,678	15,986	19,244	17,767	16,097	14,199	11,537	10,601	20,321
Funds from operations	1,506	1,453	1,707	2,122	2,424	2,802	3,272	3,762	4,206	4,617
FFO to debt ratio	10.2%	8.7%	10.7%	11.0%	13.6%	17.4%	23.0%	32.6%	39.7%	22.7%

Sensitivity: General

Part E: Projected financial statements for water services

Projected financial statements – for drinking water, wastewater, stormwater and combined water services

Projected funding impact statement

Funding impact statement (\$000)	FY24/25	FY25/26	FY26/27	FY27/28	FY28/29	FY29/30	FY30/31	FY31/32	FY32/33	FY33/34
Sources of operating funding										
General rates	468	492	500	522	522	546	555	576	580	602
Targeted rates	3,315	3,742	4,173	4,655	5,100	5,526	5,999	6,451	6,957	7,525
Subsidies and grants for operating purposes	0	0	0	0	0	0	0	0	0	0
Local authorities fuel tax, fines, infringement fees and other receipts	28	29	28	25	27	22	18	13	9	4
Fees and charges	55	56	57	58	58	59	60	61	62	63
Total operating funding	3,866	4,320	4,758	5,259	5,706	6,153	6,632	7,101	7,608	8,194
Applications of operating funding										
Payments to staff and suppliers	1,360	1,876	1,920	1,959	2,000	2,022	2,056	2,088	2,124	2,158
Finance costs	483	491	566	607	718	710	700	654	627	781
Internal charges and overheads applied	517	499	564	571	565	619	605	597	651	638
Other operating funding applications	0	0	0	0	0	0	0	0	0	0
Total applications of operating funding	2,360	2,866	3,050	3,138	3,283	3,351	3,360	3,339	3,402	3,577
Surplus/(deficit) of operating funding	1,506	1,453	1,707	2,122	2,424	2,802	3,272	3,762	4,206	4,617
Sources of capital funding										
Subsidies and grants for capital expenditure	2,163	0	0	0	0	0	0	0	0	0
Development and financial contributions	0	0	0	0	0	0	0	0	0	0
Increase/(decrease) in debt	1,794	273	2,258	2,756	(328)	(169)	(1,130)	(1,347)	124	7,525
Gross proceeds from sales of assets	0	0	0	0	0	0	0	0	0	0
Other dedicated capital funding	0	0	0	0	0	0	0	0	0	0
Total sources of capital funding	3,957	273	2,258	2,756	(328)	(169)	(1,130)	(1,347)	124	7,525
Applications of capital funding										
Capital expenditure - to meet additional demand	0	0	0	0	0	0	0	0	0	0
Capital expenditure - to improve levels of services	2,414	759	316	1,242	166	317	348	118	2,236	7,845
Capital expenditure - to replace existing assets	3,775	2,675	700	4,137	781	815	1,026	982	1,034	6,492
Increase/(decrease) in reserves	(726)	(1,708)	2,948	(502)	1,147	1,500	767	1,314	1,058	(2,195)
Increase/(decrease) in investments	0	0	0	0	0	0	0	0	0	0
Total applications of capital funding	5,463	1,726	3,964	4,877	2,094	2,632	2,141	2,414	4,328	12,142
Surplus/(deficit) of capital funding	(1,506)	(1,453)	(1,707)	(2,122)	(2,424)	(2,802)	(3,272)	(3,762)	(4,206)	(4,617)
Funding balance	0	0	0	(0)	(0)	0	(0)	0	0	0

Sensitivity: General

Projected statement of comprehensive revenue and expense										
Statement of comprehensive revenue and expense (\$000)	FY24/25	FY25/26	FY26/27	FY27/28	FY28/29	FY29/30	FY30/31	FY31/32	FY32/33	FY33/34
Operating revenue	3,866	4,320	4,758	5,259	5,706	6,153	6,632	7,101	7,608	8,194
Other revenue	2,163	0	0	0	0	0	0	0	0	0
Total revenue	6,029	4,320	4,758	5,259	5,706	6,153	6,632	7,101	7,608	8,194
Operating expenses	1,360	1,876	1,920	1,959	2,000	2,022	2,056	2,088	2,124	2,158
Finance costs	483	491	566	607	718	710	700	654	627	781
Overheads and support costs	517	499	564	571	565	619	605	597	651	638
Depreciation & amortisation	1,506	1,631	1,648	1,738	1,763	1,855	1,861	1,963	1,966	2,112
Total expenses	3,866	4,497	4,698	4,876	5,046	5,206	5,221	5,302	5,368	5,689
Net surplus / (deficit)	2,163	(178)	59	384	661	947	1,411	1,799	2,240	2,505
Revaluation of infrastructure assets	0	3,872	0	4,124	0	4,471	0	4,634	0	4,888
Total comprehensive income	2,163	3,694	59	4,508	661	5,418	1,411	6,433	2,240	7,393
Cash surplus / (deficit) from operations (excl depreciation)	3,669	1,453	1,707	2,122	2,424	2,802	3,272	3,762	4,206	4,617
Projected statement of cashflows										
Statement of cashflows (\$000)	FY24/25	FY25/26	FY26/27	FY27/28	FY28/29	FY29/30	FY30/31	FY31/32	FY32/33	FY33/34
Cashflows from operating activities										
Cash surplus / (deficit) from operations	3,669	1,453	1,707	2,122	2,424	2,802	3,272	3,762	4,206	4,617
Net cashflows from operating activities	3,669	1,453	1,707	2,122	2,424	2,802	3,272	3,762	4,206	4,617
Cashflows from investment activities										
Capital expenditure	(6,189)	(3,434)	(1,016)	(5,379)	(947)	(1,132)	(1,374)	(1,100)	(3,270)	(14,337)
Net cashflows from investment activities	(6,189)	(3,434)	(1,016)	(5,379)	(947)	(1,132)	(1,374)	(1,100)	(3,270)	(14,337)
Cashflows from financing activities										
New borrowings	1,794	273	2,258	2,756	(328)	(169)	(1,130)	(1,347)	124	7,525
Repayment of borrowings										
Net cashflows from financing activities	1,794	273	2,258	2,756	(328)	(169)	(1,130)	(1,347)	124	7,525
Net increase/(decrease) in cash and cash equivalents	(726)	(1,708)	2,949	(501)	1,149	1,501	768	1,315	1,060	(2,195)
Cash and cash equivalents at beginning of year	640	(86)	(1,794)	1,156	654	1,803	3,304	4,072	5,387	6,447
Cash and cash equivalents at end of year	(86)	(1,794)	1,156	654	1,803	3,304	4,072	5,387	6,447	4,252

Sensitivity: General

Projected statement of financial position										
Statement of financial position (\$000)	FY24/25	FY25/26	FY26/27	FY27/28	FY28/29	FY29/30	FY30/31	FY31/32	FY32/33	FY33/34
Assets										
Cash and cash equivalents	(86)	(1,794)	1,156	654	1,803	3,304	4,072	5,387	6,447	4,252
Infrastructure assets	77,434	83,109	82,477	90,242	89,426	93,174	92,687	96,458	97,762	114,875
Total assets	77,348	81,315	83,632	90,896	91,228	96,478	96,759	101,845	104,209	119,128
Liabilities										
Borrowings - non-current portion	14,611	14,884	17,142	19,898	19,570	19,401	18,271	16,924	17,048	24,573
Total liabilities	14,611	14,884	17,142	19,898	19,570	19,401	18,271	16,924	17,048	24,573
Net assets	62,737	66,431	66,490	70,998	71,658	77,077	78,488	84,921	87,161	94,555
Equity										
Revaluation reserve	52,266	56,138	56,138	60,262	60,262	64,733	64,733	69,367	69,367	74,255
Other reserves	10,471	10,293	10,353	10,736	11,397	12,344	13,755	15,554	17,794	20,299
Total equity	62,737	66,431	66,490	70,998	71,658	77,077	78,488	84,921	87,161	94,555

Sensitivity: General

Water Services Delivery Plan: Additional Information

Additional disclosures to support Plan

Councils are requested to provide additional disclosures to accompany Plans:

- *Projected expenditure on significant capital projects; and*
- *Disclosure of risks and material assumptions for water services delivery.*

The information disclosure requirements have been set out in template form in this addendum section.

Councils may wish to use this suggested template, or alternatively can provide this supporting information in another form.

DRAFT

Sensitivity: General

Significant capital projects

This section is to provide a schedule of all material capital projects included in the investment projections in the Plan. Councils are encouraged to set and describe an appropriate materiality threshold for populating these schedules, for example as currently provided in your Long-Term Plans. Councils may wish to include capital projects details that cover an additional 20 years (referring to Infrastructure Strategy).

Significant capital projects

Significant capital projects – drinking water

Significant capital projects - drinking water	FY24/25	FY25/26	FY26/27	FY27/28	FY28/29	FY29/30	FY30/31	FY31/32	FY32/33	FY33/34
Projects to meet additional demand	0	0	0	0	0	0	0	0	0	0
Total investment to meet additional demand	0	0	0	0	0	0	0	0	0	0
Projects to improve levels of services										
Universal Water Metering	1,593,851									
W street work rider mains	200,000									
W Toko Storage tank	20,000					5,663				
Total investment to improve levels of services	1,813,851	-	-	-	-	5,663	-	-	-	-
Projects to replace existing assets										
Automated Reticulation Modelling				486,000						
W alternative power supply for Midhurst and Toko	50,000									
W reticulation modelling		102,500				113,250				
W Toko new reservoir					166,050					
W street work rider mains	100,000									
New Reservoir - Water Supply									1,208,900	7,405,800
W New 30mm second trunk main south									120,890	123,430
Stratford Bore - Water Supply		102,500		540,000						
W Fuel tank for generator		41,000								
Infrastructure renewal	270,000	179,375	210,540	426,600	243,540	288,788	486,612	230,880	265,958	833,153
Midhurst Resource consent	50,000									
Stratford Grit Tanks	2,070,000	2,050,000								
Fluoride Plant Upgrade	300,000									
New Pātea crossing										4,937,200
Total investment to replace existing assets	2,840,000	2,475,375	210,540	1,452,600	409,590	402,038	486,612	230,880	1,595,748	13,299,583
Total investment in drinking water assets	4,653,851	2,475,375	210,540	1,452,600	409,590	407,700	486,612	230,880	1,595,748	13,299,583

Sensitivity: General

Significant capital projects – wastewater										
Significant capital projects - wastewater	FY24/25	FY25/26	FY26/27	FY27/28	FY28/29	FY29/30	FY30/31	FY31/32	FY32/33	FY33/34
Projects to meet additional demand										
Total investment to meet additional demand	-	-	-	-	-	-	-	-	-	-
Projects to improve levels of services										
WW Reticulation remodelling	50,000									
Pipework capacity increase	100,000				55,350					61,715
West Extension									604,450	
New Discharge point								118,400	120,890	70,000*
Total investment to improve levels of services	150,000	-	-	-	55,350	-	-	118,400	725,340	131,715
Projects to replace existing assets										
WW treatment design								236,800	241,780	
WW Safety renewals	35,000	138,375	152,642	145,800	149,445	186,863	167,997	159,840	163,202	166,631
Treatment Plant upgrade	50,000	512,500								
Pipe at Swansea Rd Bridge	300,000		157,905	216,000	-	-	231,720	-	-	246,860
Infiltration Renewals	350,000	205,000	210,540	216,000	221,400	226,500	231,720	236,800	241,780	246,860
Desludging Pond				3,240,000						
Total investment to replace existing assets	735,000	855,875	521,087	3,817,800	370,845	413,363	631,437	633,440	646,762	660,351
Total investment in wastewater assets	885,000	855,875	521,087	3,817,800	426,195	413,363	631,437	751,840	1,372,102	792,066

**This is the value used in the wastewater model. It represents the smoothening of the wastewater investment in Year 10, as per detail provided in Page 6 - Key Future Infrastructure Investment of this plan.*

Sensitivity: General

Significant capital projects – stormwater										
Significant capital projects - stormwater	FY24/25	FY25/26	FY26/27	FY27/28	FY28/29	FY29/30	FY30/31	FY31/32	FY32/33	FY33/34
Projects to meet additional demand										
Total investment to meet additional demand	-	-	-	-	-	-	-	-	-	-
Projects to improve levels of services										
SW Pipework Capacity increase	-	-	157,905	-	-	169,875	-	-	181,335	-
SW Safety improvements	50,000	-	21,054	-	-	28,313	23,172	-	-	-
SW modelling	400,000	-	-	-	-	-	115,860	-	-	-
Total investment to improve levels of services	450,000	-	178,959	-	-	198,188	139,032	-	181,335	-
Projects to replace existing assets										
Reticulation Renewals	100,000	102,500	105,270	108,000	110,700	113,250	115,860	118,400	120,890	123,430
SW silt retention Victoria Park	100,000	-	-	-	-	-	-	-	-	123,430
Total investment to replace existing assets	200,000	102,500	105,270	108,000	110,700	113,250	115,860	118,400	120,890	246,860
Total investment in stormwater assets	650,000	102,500	284,229	108,000	110,700	311,438	254,892	118,400	302,225	246,860

Sensitivity: General

Risks and assumptions

Disclosure of risks and material assumptions for water services delivery

Councils may wish to disclose risks and material assumptions for water services delivery that have been included in the Plan. The following optional table has been included as a way such risks and assumptions could be summarised.

Table 14: Summary of Key Risks

Item	Parameters	Drinking supply	Wastewater	Stormwater
1	Future water service delivery	- Data quality issues could impact the ability to effectively plan for renewals. - Natural disasters could disrupt the capital programme (eruptions, earthquakes). - Significant district growth. - Existing shared services may change or discontinue, based on other districts Water Service Delivery Plans.		
2	Network performance	- Critical asset failure could impact capital delivery. - Significant district growth (including population numbers) could impact on sufficient water supply and wastewater treatment. - If we are unable to reduce leakage and loss our available water capacity will be limited – water supply. - If we are unable to reduce I&I it will constrain development – wastewater. - More frequent storms and rainfall events and other extreme weather events may require more investment than planned - stormwater.		
3	Regulatory compliance	- Ongoing legislation reform could create future standards changes. - Ongoing significant government policy changes. - Capability for ongoing compliance with bylaws and resource consent requirements. - Risk that stormwater also undergoes legislation reform.		
4	Financial Sustainability	- Net water services debt-to-revenue ratio exceeds the SDC treasury policy limit of 500% in any year. - CAPEX programmes is materially different from projections. - Assumptions and real inflation in the financial plans are materially different from reality. - Legislation, particularly in relation to infrastructure standards, is yet to be confirmed and subject to change. - Natural disaster could put fiscal pressure on SDC.		
5	Delivery of Capital Programme	- Supply chain issues impact the timing and delivery of the capital programme. - Scarce resources and availability may impact the delivery of the capital programme (e.g., contractors). - Inflationary pressure may result in prioritisation of the capital programme.		
6	Organisational capacity	- Losing water services talent to the region or beyond (high demand). - Inability to attract and retain qualified staff, leaving assets under threats and inability to meet community needs. - Loss of resources to the region or larger suppliers, resulting in poor service and high prices. - IBU remains small when neighbours are scaling up (links to competition for water services talent).		
7	Long term issues e.g. providing for growth, climate change	- Damage caused to facilities and assets by natural hazard events (including climate change). - Significant and unplanned for growth may require increased investment into growth projects. - Climate change could increase levels of investment needed, particularly with regards to water extraction, storage and treatment.		

Sensitivity: General

Table 15: Summary of Key Assumptions

Item	Parameters	Drinking supply	Wastewater	Stormwater
1	Future water service delivery	- Universal water metering implemented. - Based on Asset Management Plan and 30 year infrastructure strategy. - Current shared services will continue on same basis. - Increased charges for wastewater, to start pre-funding of significant project. - The current population is projected to increase on average by 0.4% each year, based on an assumption of medium growth by Infometrics Model 2020. - The demand for Council Services and customer expectations regarding levels of service will not change significantly.		
2	Network performance	- Infrastructural assets useful lives are determined during the certified 2 yearly valuations using specifications from suppliers. - All assets will be replaced at the end of their useful life unless noted otherwise, based on the asset's theoretical useful life; asset condition; asset technology becoming obsolete and the asset's capability to perform intended work. - Depreciation costs are based on their respective lives. - Unit cost assumptions used are the same as used during the most recent Certified Valuation and are determined using latest contracts, construction projects and supplier information. - AMPs are complete; they include renewal and capital programmes for all major infrastructural assets and are based on sound assessments of asset condition, lifecycle and demand management. - AMPs are peer reviewed in accordance with the Asset Management Policy. - The following asset parameters are assessed in order to develop the renewals programme Asset Criticality; Material Type; Asset Age; Asset Condition; Asset Performance (e.g. pipe bursts, leaks, valves not working, blockages and flooding).		
3	Regulatory compliance	- Current and future regulatory compliance will be achieved. - There will be no new significant legislative changes that affect infrastructure and service delivery. - Renewed resource consents will have similar conditions as the expiring resource consents and will not be significantly altered, except for the new Stratford Wastewater plant. - Any resource consents due for renewal during the ten year period will be renewed accordingly. - Resource Consent Conditions will be understood, met.		
4	Delivery of Capital Programme	- Continue capital delivery with sufficient resources. - Asset data inaccuracies will not materially impact delivery. - Council plans to deliver 100% of all budgeted capital expenditure over the life of the Long Term Plan. - Council revenue will cover expenditure, providing for a balanced budget. - The number of rating units will not change significantly over the 30 year plan. - Sources of funding for operating and capital expenditure do not change. - Costs will remain stable over the entire period of the 30 year plan. - The inflation rates remain as assumed. - Council contracts out the majority of its operations and services. It is assumed that Contractors will be available to undertake all contracted works; and it is assumed that all contractors will adhere to the terms of the contract.		
5	Organisational capacity	- Organisation capacity – retention of skilled staff. - Current staff members possess the necessary education and skill sets to adequately perform their designated functions. - Increase staffing levels to ensure the requirements for enhanced status quo delivered is adequate and stable in the future.		
6	Long term issues e.g. providing for growth, climate change	- We have allowed for growth that we know about, based on population figures for the next 10 years, based on info metrics. - Current planned Incident Response would be effective until Level 4-5 at which point this will be treated as per Civil Defence / Emergency Management protocols. - Disruptive or destructive emergency events could lead to damage – not budgeted for. - It is assumed that the current "Service Continuity Plan" would be effective in maintaining continuity of service in a pandemic event. - Climate change will impact on the Council's operations and will require an appropriate response to adapt and prepare for potential impacts.		

Sensitivity: General

Financial Model Assumptions

- **Loan interest rates**

Are as per the SDC Long Term Plan (LTP) 2024-34:

2024/25	2025/26	2026/27	2027/28	2028/29	2029/30	2030/31	2031/32	2032/33	2033/34
4.09%	3.83%	3.73%	3.65%	3.61%	3.61%	3.61%	3.59%	3.58%	3.60%

- **Rating Unit Growth**

Annual 0.5% increase in number of Water and Wastewater connections, and increase in number of rating units for Stormwater across the ten years of the WSDP.

- **Revenue**

A grant for Water was budgeted for in 2024/25 of \$2m. This is now expected to be received in 2025/26. No other grants and subsidies have been budgeted for in this WSDP. All revenue charged will be collected, via legislative mechanisms available.

- **Operating Expenditure**

Expenditure has been drawn from the LTP 2024/34 and additional operating costs to effectively implement the new requirements of the water services reforms have been anticipated at \$489K in 2025/26, and an average of \$515K over the remaining eight years of the WSDP.

Inflation varies across the different categories of expenditure – overall over the ten years of the WSDP the inflation rate averages 1.91% for all of SDC and 2.37% specifically for water services.

- **Asset Revaluations**

Asset revaluations have been anticipated two yearly starting from 2025/26, with an average two yearly valuation increase of 5%, impacting on depreciation.

- **Median Household Income**

This data was obtained from Infometrics projections made in 2023, with an additional 3% added on to each annual projection.

- **Debt**

Debt will be used to fund capital expenditure on new and improved investment, and may be used to fund cash operating deficits where approved by SDC and where there is a plan to repay the debt back by 2034.

MEMORANDUM



Appendix 2

F16/1243 – D24/54719

To: Elected Members
From: Director - Assets
Date: 10 December 2024
Subject: Local Water Done Well – Planning Update

1. Purpose

- 1.1. The purpose of this workshop is four-fold, to:
 - a. Provide a general update on the progress of the Water Services Delivery Plan (WSDP), for the Stratford Waters Internal Business Unit (SWIBU) model of water services delivery being explored;
 - b. Discuss potential options to support the implementation of a key Wastewater Treatment Renewal project from **Year 9** of the Long Term Plan (LTP) and in the Infrastructure Strategy (IS), this project runs till **Year 13**; and
 - c. Propose a change in the implementation timeframe for the Wastewater Treatment Renewal Project.
 - d. Discuss the implications of this new change on Council's deliverability and WSDP's sufficiency tests.
- 1.2. These activities have been triggered by the government's Local Water Done Well programme, which came into effect February 2024.

2. Background

- 2.1 SWIBU is one of 2 options being explored by the Stratford District Council for the future delivery of water services in the Stratford District, pursuant to **Section 61** of the Local Government (Water Services Preliminary Arrangements) Act 2024. The other option for water services delivery being explored is the Taranaki Regional Water Services Council Controlled Organisation (WSCCO), in collaboration with the New Plymouth District Council (NPDC) and the South Taranaki District Council (STDC).
- 2.2 Each of these two water services delivery models – the SWIBU and WSCCO - must be subject to public consultation in April/May 2025 and ideally, supported by their respective WSDPs.
- 2.3 As part of the financial modelling required to support the development of the WSDPs, Officers have reviewed the timing of delivery of key projects in the LTP and IS to verify the accuracy of the original program and associated costs.
- 2.4 In doing this, Officers have undertaken an assessment of potential options for the Wastewater Treatment Renewal project and associated costs (**refer to section 4**). To ensure that the Council is best placed to deliver this project in the future, the worst case cost-scenario has been chosen and programmed for implementation as shown in **Table 1**.
- 2.5 This process has proven valuable and effective, enhancing the Council's ability to successfully deliver the renewal project over the long term. Additionally, it strengthens the Council's capacity to achieve improved financial sufficiency outcomes, as the WSDP requires the Council to confirm, among other things, that:
 - Projected total council borrowings are within council borrowing limits;
 - Projected water services borrowings are within the council-determined limit for water services borrowing;
 - Required levels of borrowings can be sourced; and
 - The WSDP meets the 'financing sufficiency' test.

3 Water Services Delivery Plan Update

- 3.1 A draft WSDP is being completed which focuses on future water services for Stratford via an Internal Business Unit, referred to as SWIBU.
- 3.2 This draft WSDP is currently pending the results of financial modelling, which is anticipated to be completed by the end of the year, subject to this workshop feedback from Elected Members.
- 3.3 Once all financial outputs are received, a complete assessment of the WSDP can be undertaken. A key feature of the WSDP is the Statement of Financial Sustainability (**Appendix 1**), by which Council must confirm that it meets the financial sustainability requirements of:
 - o Revenue Sufficiency,
 - o Investment Sufficiency; and
 - o Financing Sufficiency,

4 Wastewater Treatment Renewal – Potential Options

- 4.1 Five potential options have been identified for the delivery of the wastewater treatment renewal project, scheduled to commence in **Year 9** of the LTP and IS.
- 4.2 This project is triggered by the expiry of the current discharge consent held for the wastewater treatment system. This consent expires in June 2034, and based on past discussions with key stakeholders, chiefly Iwi, Fish & Game and the Taranaki Regional Council (TRC), it is highly unlikely that the continued discharge of treated wastewater to the Pātea River will be allowed.
- 4.3 The 5 potential options are:
 - o **Option 1**: Status quo. Maximum estimated cost - \$5 million.
 - o **Option 2**: Enhanced status quo. Maximum estimated cost - \$25 million.
 - o **Option 3**: Discharge to land and water - Max estimated cost - \$45 million.
 - o **Option 4**: Discharge to sea via Coastal outfall - Max estimated cost - \$50 million
 - o **Option 5**: Full discharge to land – Max estimated cost - \$51 million.
- 4.4 **Option 1** – Status quo. Maximum estimated cost is \$5 million, which is a conservative estimate. The actual cost may range between \$1 million and \$5 million. This estimate is expected to cover ongoing capital upgrades as recommended by experts. However, it is highly likely that this scenario will not be acceptable to either the TRC or our key Stakeholders.
- 4.5 **Option 2** - Enhanced status quo. Maximum estimated cost - \$25 million. This involves the discharge of treated wastewater to the Pātea River. Likely upgrades include extra wastewater treatment pond(s), de-nitrifying, filtration, and UV treatment. Cost estimate \$20 million.

As this option proposes the continued discharge of treated wastewater to water, notwithstanding the higher quality of discharge, it is highly unlikely that this option will be acceptable. However, this option cannot be discounted until Stakeholder consultation has been had with TRC, Iwi and Fish & Game, and Council is able to demonstrate that the proposed improvement is sufficient to consistently deliver superior discharge quality, with minimal adverse effects on the environment.

- 4.6 **Option 3** – Discharge to land and water, with discharge to water allowed under certain conditions - Max estimated cost - \$45 million. This option proposes the discharge of treated wastewater to Pātea River, with discharge onto adjacent land during summer low flows. Likely upgrades to include extra wastewater treatment pond(s), de-nitrifying, filtration, and UV treatment. Acquisition of approximately 100 hectares of flat suitable land likely to be needed based on Palmerston North's current experience. Palmerston North servicing a population of 90,000 requires 500 – 1200 hectares of suitable land for irrigation when river flows reach half of median flow. Projected Palmerston North cost \$500 million. Projected cost estimate for Option 3 includes a discount, to account for Palmerston North's large volumetric proportion of industrial discharges, unlike Stratford.

Option 3 is essentially a variation of Option 2, in that the proposed discharge to land can occur under certain conditions. While Option 2 assessment applies, it proposes better environmental outcomes, particularly in the summer months where dilution in the stream is limited. While it may not be readily accepted by the TRC, Iwi and Fish & Game, it remains a valid option to pursue.

- 4.7 **Option 4** – Discharge to sea through Hawera Coastal outfall - Max estimated cost - \$50 million. Likely upgrades to include extra wastewater treatment pond(s), de-nitrifying, filtration. 10 km pipeline to Eltham, at an estimated cost of \$1.5 million/km, possible pump stations along the route, potential need for retention ponds during periods of high flow/limited pipe capacity. May need to increase the existing 20 km pipe from Eltham to Hawera. Will require STDC and Iwi approval, variation to STDC/Fonterra discharge consents. Cost estimate \$50 million.

This option proposes to leverage on existing discharge option through the ocean outfall, a discharge practice that has been signalled as having acceptable environmental outcomes. This option relies on agreement of STDC (and their Stakeholders) to allow the pipeline connection to happen, in addition to other operational terms and conditions. It also relies on TRC's agreement. While it is considered an acceptable solution by Officers, it remains an option that needs further in-depth exploration.

- 4.8 **Option 5** – Full discharge to land – Max estimated cost - \$51million. This option proposes an all-year discharge to land at all times. As in Option 3, likely upgrades to include extra wastewater treatment pond(s), de-nitrifying, filtration, and UV treatment. Discharge onto approximately 120 hectares of flat suitable land, including pipelines installation.

Based on current legislation and input from stakeholders, the Council is highly confident that this option represents an acceptable solution. The primary concerns are the availability of land, its proximity to residential or other productive areas, and whether the land can be used for purposes other than receiving treated wastewater discharge.

5 Wastewater Treatment Renewal – Implementation Plan and Budget Implications

- 5.1 The implementation plan for the delivery of the wastewater treatment renewal shown in **Table 1** is based on the worst case cost scenario, being Option 5 above. This plan represents a more realistic delivery timeframe for Option 5, having anticipated the key activities and included, as far as possible, robust assumptions during this period.
- 5.2 **Table 1** proposes to deliver the project over an **8-year** period, as opposed to **4 years**, starting from **Year 9** of the LTP through to **Year 16**. These new cost programme will be used to complete the financial modelling for the WSDP.

6 Financial Impact

- 6.1 The current financial model for a SWIBU is based on the following assumptions:
- LTP 2024-34 figures for the first ten years of the LTP
 - Inflation of 3%, and Interest of 5.5% on debt
 - Capital Expenditure based on Infrastructure Strategy – except for the Wastewater Project where the cost has been spread over 8 years instead of 4
 - No establishment or transitional costs including levies have been factored in yet
 - Council revenue increasing by 5% each year
 - Council will have no new debt from year 11 onwards, except for debt relating to the three water services.
- 6.2 The graphs in the figures below show that smoothing the cost of the Wastewater treatment renewal project over time, through prefunding, via rates, would lessen the impact to ratepayers. This will be considered in Council's Annual Plan 2025/26.

Table 1: Proposed Option 5 Implementation Plan for Stratford Wastewater Treatment Renewal Project

Due Date	Proposed Activity	Estimated Cost Implications	Financial Year (FY)	FY Cost	Infrastructure Strategy Programme
Jul-32	Procurement of Technical Experts	\$100,000	2032/33 (LTP Year 9)	\$400,000	0
Aug-32	Commission Identification of wastewater disposal Options and Analysis Report and other technical papers to support the application	\$200,000			
Jan-32	Key Stakeholder Engagement commences	\$0			
Apr-32	Commission Planning report; Cultural Assessment Report	\$100,000			
Nov-33	Application to TRC for consent renewal (6 months before consent expiry)	\$70,000	2033/34 (LTP Year 10)	\$70,000	\$6,172,000
Jun-34	Resource Consent Expires	0			
Jul-34	Consultants fees	\$200,000	2034/35 (LTP Year 11)	\$200,000	\$20,000,000
Jul-35	Commissioning of additional reports via request for further information by TRC	\$100,000	2035/36 (LTP Year 12)	\$100,000	\$20,000,000
Jun-36	Resource Consent Issued	0			
Jul-36 to Jun-37	Procurement planning to give effect to RC conditions	\$100,000	2036/37 (LTP Year 13)	\$100,000	\$5,000,000
Jul-37	Procurement and Installation of approved wastewater treatment commences		2037/38 (LTP Year 14)	\$15,100,000	0
Jul-37	Year 1 Procurement / Construction / Installation / land purchase	\$15,000,000			
	Year 1 Project Management	\$100,000			
Jul-38	Year 2 Procurement / Construction / Installation / land purchase	\$20,000,000	2038/39 (LTP Year 15)	\$20,100,000	0
	Year 2 Project Management	\$100,000			
Jul-39	Year 3 Procurement / Construction / Installation / land purchase	\$15,000,000	2039/40 (LTP Year 16)	\$15,100,000	0
	Year 3 Project Management	\$100,000			
	Total	\$51,170,000		\$51,170,000	\$51,172,000

6.3 Additionally, net debt to revenue for Council overall is expected to remain just within the LGFA limit (Council's lenders), but will limit loan funded capital expenditure for any other projects for approximately 3 years.

6.4 The graphs are based on the following water services investment (**Figure 1**) , where the darker shaded areas represent loan funded projects, and the lighter shaded represent asset replacements.

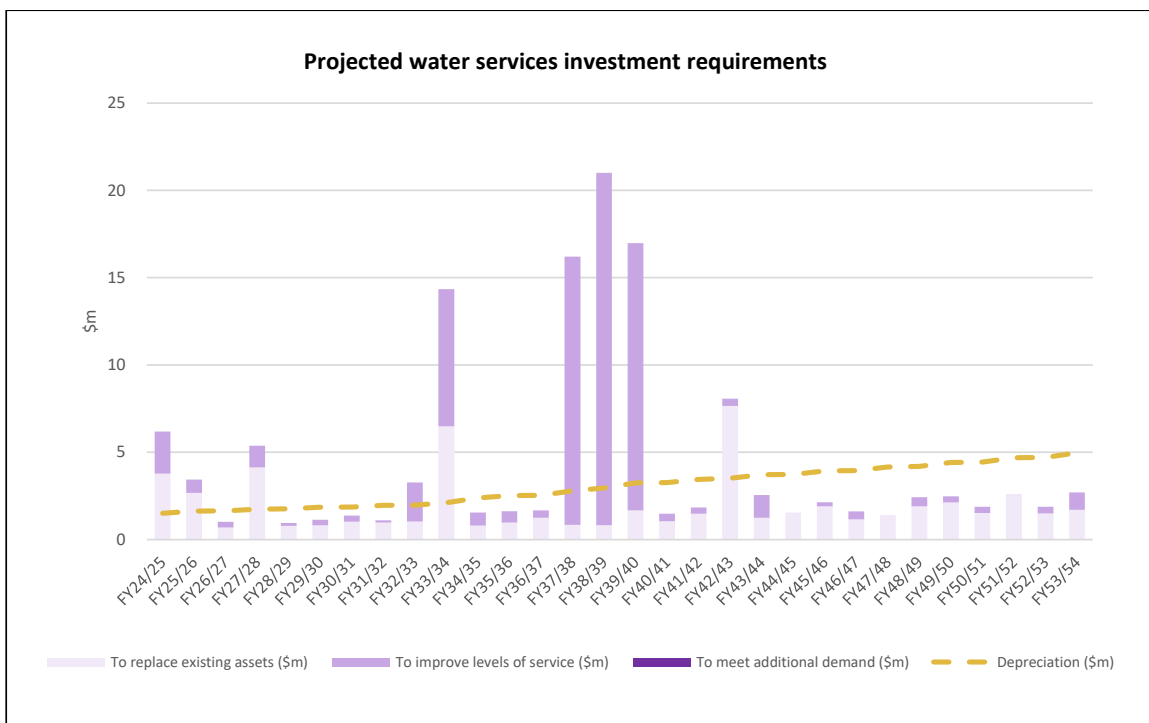


Figure 1: Projected Water Services Investment Requirements

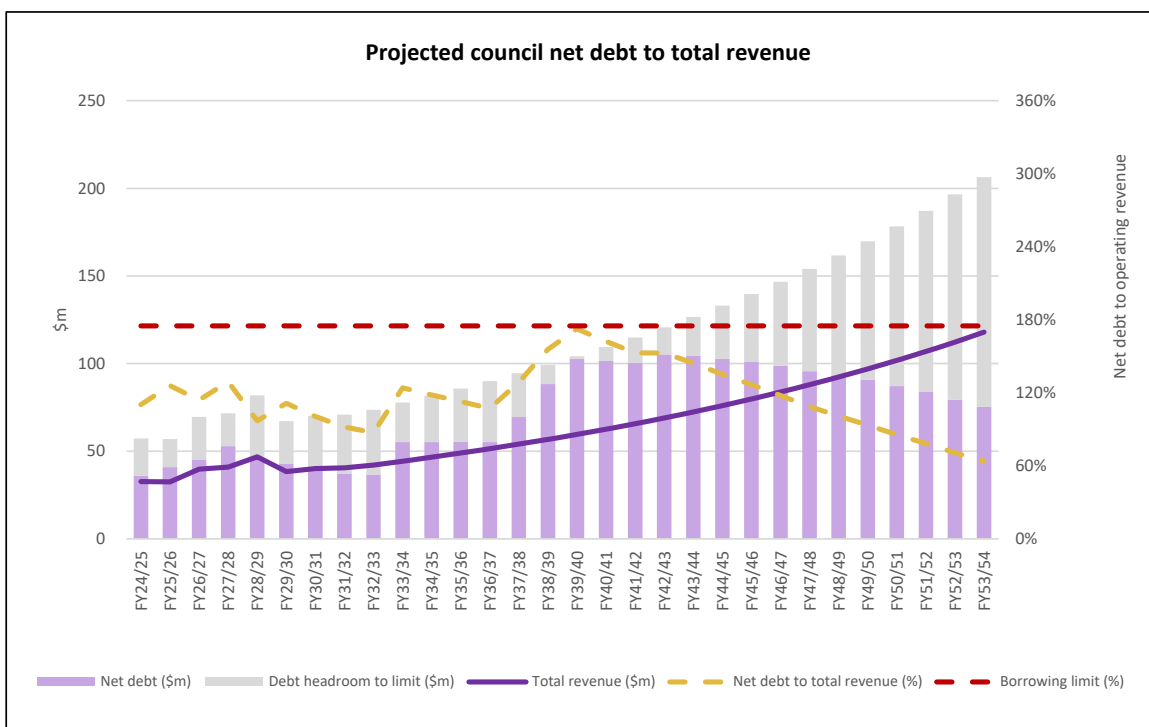


Figure 2: Projected council net debt to total revenue

6.5 The above graph (Figure 2) shows that Council will reach its maximum debt capacity in 2039/40 but through debt repayments, debt capacity will increase over time.

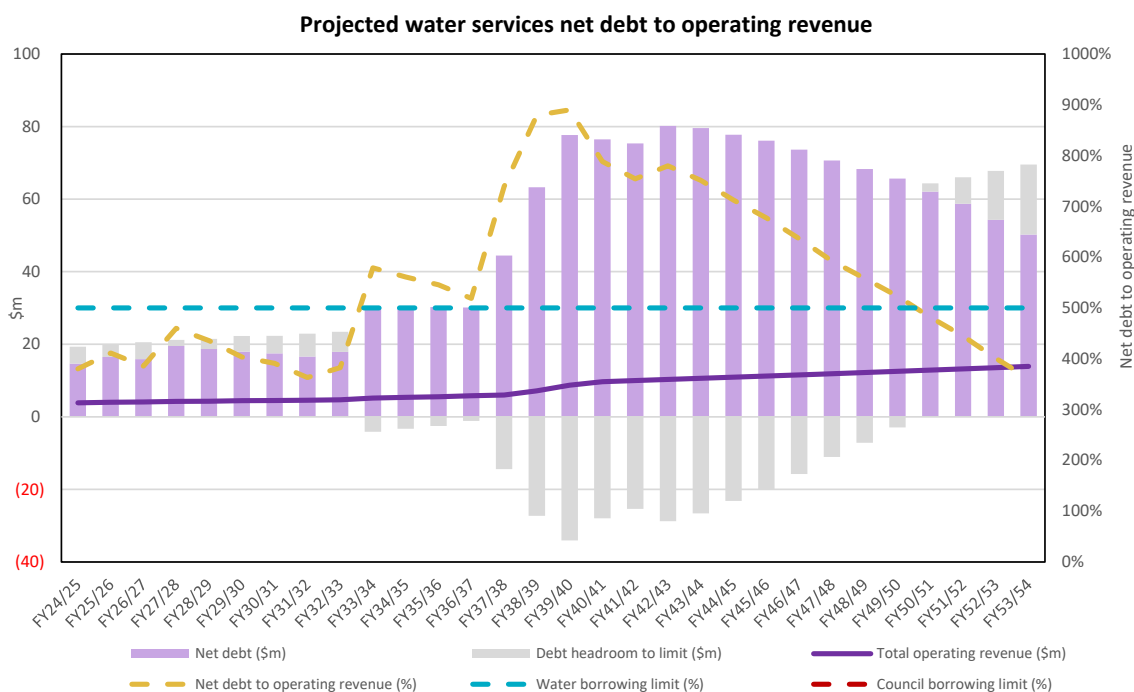


Figure 3: Projected water services net debt to operating revenue

- 6.6 The above graph (**Figure 3**) shows that due to the significant amount of debt required for the Wastewater project, net debt to operating revenue for three waters will increase to 900% and then reduce over time.
- 6.7 To achieve this, a large rates increase would be required in 2038/39, but this can be initiated in earlier years to smooth the impact (**Figures 4 & 5**)

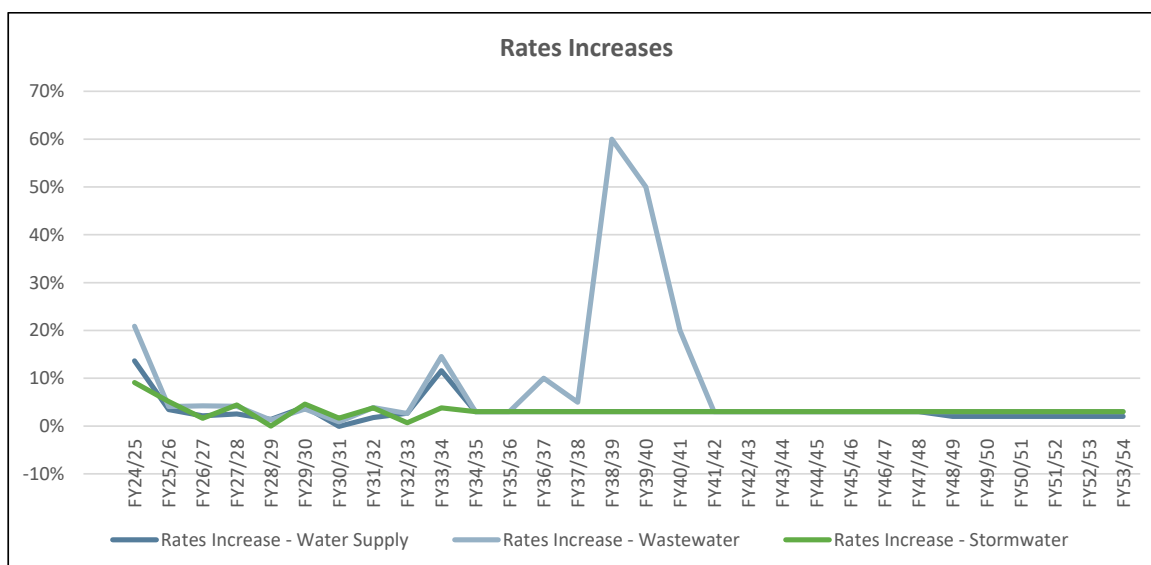


Figure 4: Rates Increases

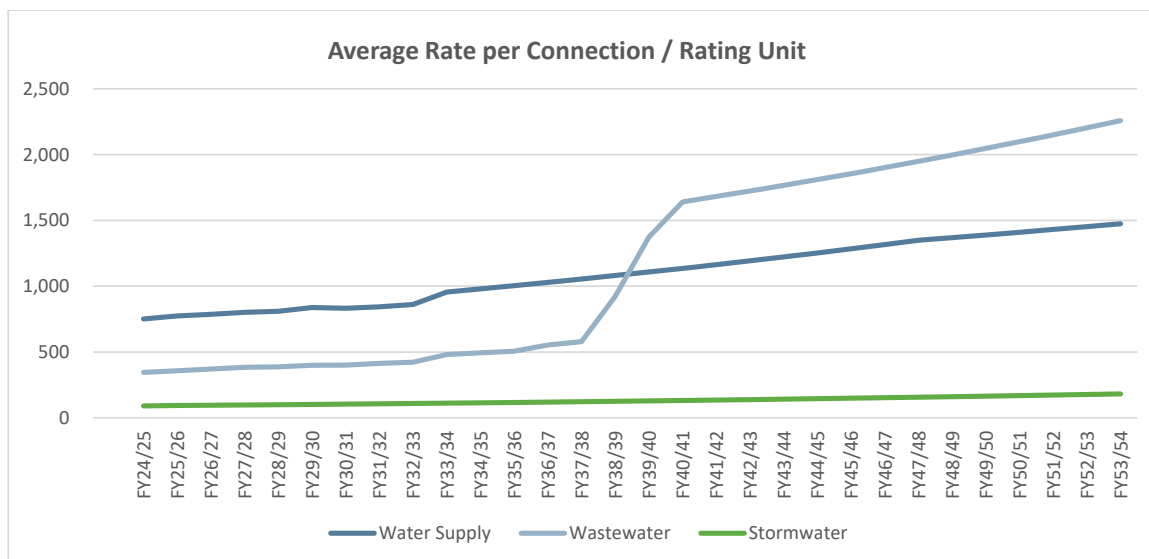


Figure 5: Average Rate per Connection / Rating Unit

7 Next Steps

- 7.1 Officers will complete the financial modelling and the WSDPs for both the SWIBU and the WSCCO.
- 7.2 Workshops will be scheduled to review the draft WSDPs, prior to public consultation in early 2025.

8 Appendices

- Appendix 1 – WSDP Financial Sustainability Statement and Tests

Victoria Araba
Director – Assets

Tiffany Radich
Audit and Risk Advisor

[Approved by]
Sven Hanne
Chief Executive

Appendix 1:

Water Services Delivery Plan - Financial Sustainability Statement and tests

- **Revenue Sufficiency – Our 3-waters revenue is sufficient to cover the costs of delivering water services.** We have modelled and tested our revenue sufficiency and confirm that:
 - Projected revenues are sufficient to cover the costs (including servicing debt) of water services delivery;
 - Projected revenues are sufficient to finance the required level of investment ; and
 - Projected revenues have been assessed as meeting the 'revenue sufficiency' test.
- **Investment Sufficiency - Our investment in infrastructure assets is sufficient to cover future needs of our 3-waters services and comply with regulatory requirements.** We have modelled and tested our investment sufficiency and confirm that:
 - Proposed level of investment is sufficient to meet levels of service, regulatory requirements and provide for growth;
 - Proposed level of investment is fully funded by projected revenues and access to financing; and
 - Projected levels of investment have been assessed as meeting the 'investment sufficiency' test.
- **Financing Sufficiency - There is sufficient financing available and in place to meet the investment required for our infrastructure assets.** We have modelled and tested our investment sufficiency and confirm that:
 - Projected total council borrowings are within council borrowing limits;
 - Projected water services borrowings are within the council-determined limit for water services borrowing;
 - Required levels of borrowings can be sourced; and
 - The Plan meets the 'financing sufficiency' test.



TE KAUNIHERA Ā ROHE O
WHAKAAHURANGI
STRATFORD
DISTRICT COUNCIL

Our reference
F19/13/03-D21/40748

Karakia

Kia uruuru mai
Ā hauora
Ā haukaha
Ā haumāia
Ki runga, Ki raro
Ki roto, Ki waho
Rire rire hau Paimārire

I draw in (to my being)
The reviving essence
The strengthening essence
The essence of courage
Above, Below
Within, Around
Let there be peace.